



Photo by George Meyers, Hartford

• In This Issue •

The Waterbury Button Company—The 26th Annual Meeting

THE photo above is a dramatic presentation of one of the latest developments in molded plastics by the first exclusive manufacturer of buttons in Connecticut—The Waterbury Button Company

CONNECTICUT
INDUSTRY

DECEMBER
1936

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COAL

BUNKER "C"
FUEL
OIL

T.A.D. JONES & CO., INC.
NEW HAVEN

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UNEMPLOYMENT COMPENSATION

By E. KENT HUBBARD

Are there ten persons in the State of Connecticut who fully comprehend the meaning of the Act which was passed by the Connecticut General Assembly on November 30?

A most distinguished Connecticut scholar—the editor of our oldest newspaper—said after the passage of the Act, "Whether we are building better than we know or digging a pit for ourselves, nobody is wise enough to say." He elaborates with the very sound observation that, "The idea that a large measure of social security can be had through the instrumentality of government has seized the popular imagination." But he observes further on the undeniable fact that "In a prolonged depression, such as that from which we now are emerging, this measure of help to the unemployed would prove of little avail. The burden of taking care of the unemployed would still fall largely upon the resources of government and on private charity, as has been the case during the last seven years, and with approximately nine million persons still unemployed the burden has by no means been lifted. During what may be called a merely temporary condition of unemployment, the provisions of this compensation act would be of some assistance." Thoughtful men everywhere, in government and out of it, have recognized that unemployment compensation legislation, as enacted by certain states in conformity with the federal act, will give but momentary relief. We may, therefore, properly listen to the counsel of such men as John H. Goss. He as always with his even keel mind, even during the hurry and rush of state officials and the special committee of the legislature to meet the December 31, 1936, deadline, advocated consideration of the highly successful Waterbury plan—a plan which met the major as well as the minor demands of unemployment compensation and more particularly the demands of relief.

The people of Connecticut and the legislators and state officials who represent them and who will represent them in the future, must know that Chapter II of the Cumulative Supplements of the Special Session of 1936, has not met the problem. In fact, its enactment, as has been well said, was the result of a demand which arose out of "popular imagination." Every regular and special session of the Connecticut General Assembly, from the session which convenes in January of 1937, will be asked to change and to supplement the initial effort. Time and events will determine the direction of these changes and these supplements. The editor of another one of our Connecticut newspapers puts it bluntly but accurately in the last line of the following quotation: ". . . there is a deeper question of the act's effect on technological advance, on national morale, on the mobility

(Continued on page 37)

LAST MONTH IN THE GENERAL ASSEMBLY

THE long talked of special session of the 1935 Connecticut General Assembly was convened on November 5 to meet the two-fold emergency as follows: amend Section 650 of the General Statutes of the State of Connecticut to provide for the meeting of presidential electors to cast their votes for the President and Vice President of the United States on the first Monday after the second Wednesday in December as provided in Article XX of the Amendments to the Constitution of the United States rather than on the first Wednesday of January succeeding their election as originally provided by this section. Otherwise, since Article XX of the Amendments to the Constitution of the United States declares that the terms of President and Vice President shall end at noon January 20, there might be some question of the validity of the votes cast by the Presidential electors of Connecticut.

The second emergency described by Governor Cross in his opening message to the special session of the Connecticut General Assembly, had "to do with the Social Security Act, which provided for federal aid to those states which enact laws for old age assistance and unemployment compensation meeting certain stated requirements of the federal government. . . . This situation creates an acute emergency. It is for the General Assembly to determine whether the state shall adopt an unemployment compensation plan in harmony with the provisions of the Social Security Act, which, becoming operative as of January 1, 1937, lays a tax on the payrolls of large groups of employers for unemployment compensation. The amount of the tax involved for Connecticut employers appears to be somewhat over 4 million dollars on the 1936 payrolls, 8 million dollars on the 1937 payrolls and 12 million dollars annually thereafter."

The Governor pointed out that if favorable action is taken by the General Assembly early in December on a bill meeting the requirements of the Social Security Act, 90% of the income from these taxes will be available to the State of Connecticut for unemployment benefits, with the expense of administration being borne by the Federal Government. Governor Cross further pointed out that failure to enact such a law during the early part of December would cause the proceeds of these taxes, for 1936 at least, to become a part of the general revenues of the federal government subject to such uses as Congress may direct.

In anticipation of the need for such emergency legislation, Governor Cross appointed last spring a non-partisan Unemployment Compensation Commission to study the many phases of Unemployment Compensation and to make a report. As a part of the report the Commission proposed a bill, approved by the majority, which was submitted to the General Assembly as legislation in complete conformity with the Social Security Act.

In session not much over two hours including recess periods, the General Assembly heard Governor Cross deliver his emergency message, adopted a law changing the meeting date of presidential electors, provided for further study of unemployment compensation legislation and pigeon-holed by reference to committees, several bills which were not included in the Governor's agenda. The task of consider-

ing the merits of the bill submitted by the Unemployment Compensation committee, calling for employee contributions, and the one submitted by the Connecticut Federation of Labor on the opening day, which places the entire cost on employers of four or more, was delegated to a committee of eleven as follows:

Senators J. Kenneth Bradley and E. Gaynor Brennan, Republicans; John C. Blackall and Raymond J. Devlin, Democrats, and John M. Taft, Socialist, and Representatives Daniel F. B. Hickey, J. Mortimer Bell and W. Ellery Allen, Republicans, and John D. Thoms, Thomas P. Kirwin and Anthony Telesca, Democrats.

Appointed by Lieutenant Governor Hayes as president pro-tem of the Senate and Speaker William Hanna of the House, the committee organized with John Blackall as chairman and appointed John H. King of Willimantic, secretary, and Robert A. Winslow of Hartford, clerk. The committee then decided tentatively to hold hearings on November 12 and 15, and later ones if necessary to pave the way for reporting the bill to the General Assembly on Monday, November 30.

The only other measure of importance outside the unemployment compensation Act to be acted upon by the Special Session of the General Assembly, is the bill introduced by the Socialists authorizing for the City of Bridgeport a refunding bond issue of \$2,500,000 for the purpose of refunding issues maturing in February 1937 and 1938. The Socialists are especially anxious to see the passage of their bill this session since they will not be members of next year's regular session.

At the hearings, Chairman Beers of the Governor's Unemployment Commission, urged passage of an act at the special session but took no further stand on employees' contributions other than was included in the commission's report which advocated them. As to constitutionality of the payroll tax, Mr. Beers felt that a good legal opinion could be written either for or against it. He also expressed the opinion that employees' contributions would tend to make the fund more solvent and would remove any feeling of the beneficiary that he was in the charity class.

The Connecticut Federation of Labor, through its secretary, John J. Egan, opposed employee contributions, and advocated benefits for employees working for employers of four or more instead of five as included in the Commission's bill and urged that benefits be given for the full year instead of for 13 weeks, the period set in the Commission's bill.

The Connecticut Retail Merchants Association shared the views of the Connecticut Federation of Labor against employee contribution and advocated a different formula for figuring the payroll tax on "extra," or part time help.

Representative Doris McBee and several others representing social organizations advocated the inclusion of domestic workers in whatever bill was finally passed. Many local representatives of labor unions and of the Connecticut Communist party backed up the stand of the Connecticut Federation of Labor, with some urging larger weekly benefits and the inclusion of domestic workers.

The Association went on record as approving the Commission's bill in the manner indicated by the statement

(Continued on page 34)

THE WATERBURY BUTTON CO.

Styles of yesterday sired and reared the company to full stature in the very necessary business of making buttons, buckles, badges, pins and ornaments. . . . Later styles shrunk the older button business while new inventions, materials and wide-awake management created larger opportunities in plastics.

A NUMBER of years ago the manufacturer of a good cigar dared to christen it with a name out of tune with the high quality of the product but hastened to give it a "prop" by adding the words on the box "There's nothing in a name." Whether his daring psychology bore profits or deficits the writer is unable to answer. But in one sense this cigar maker's slogan—"There's nothing in a name"—has an application in the story of the fortunes of the Waterbury Button Company. The very name of the company, judging from its modern products, may be said to be a misnomer, or to put it more mildly, not truly representative of its biggest production volume of modern products—molded plastic articles.

The sire of today's plastic articles was the old business of making daguerreotype plate cases of a resinous compound, discarded by Scovill Mfg. Company in the 1860's, the process being literally rescued from the "ash can" by The Waterbury Button Company. It first made buttons, dominoes and checkers by this process of molding rosin, and later, after the invention of the telephone and the start of the electrical industry, produced parts for telephones and terminals for the electrical industry.

In 1909 came the development of Bakelite, an infusible and insoluble material resulting from the experiments of Dr. Leo Baeklund. That was man's first synthetic resin created by combining carbolic acid (phenol) with formaldehyde, and is popularly accepted as the real beginning of the "plastic" industry. But actually the Scovill Mfg. Company was the first to mold resins in this country in the production of daguerreotype plate cases while the Waterbury Button Company, falling heir to the Scovill Mfg. Company's formula, was the first of today's molders of plastics to enter the field. From the molding of the

simple resinous material of the 1860's, the nation's first exclusive firm of button specialists embraced the use of each new modern plastic compound as its quality was proved and its demand established.

From a leading manufacturer of metal buttons, buckles, badges and medallions to an outstanding molder of plastic toys and lighting fixtures within the past few years may seem a strange turn in the normal development of an heir to the earliest sprouts of brass-making skill, but its course, in the light of modern economic change, was but a simple shift in harmony with the changing tide of public acceptance and demand.

Out of the Past

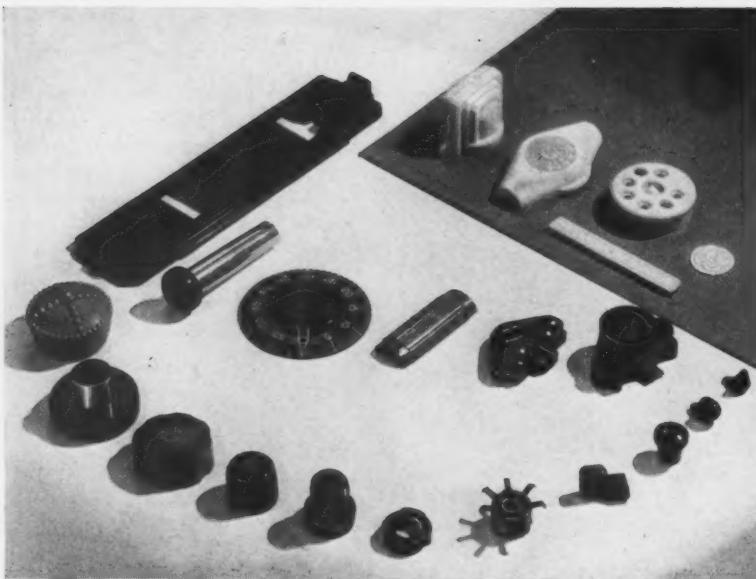
Although its name is a misnomer in the light of the overshadowing vol-

ume of its plastic products of today, the Waterbury Button Company's name is a virile monument to the memory of a romantic past of more than a century ago when buttons of brass sired the great brass industry of the Naugatuck valley, which expansion spread to other quarters of the nation. While its corporate existence dates back only 87 years to 1849, it was sprouted in the soil of 1812 when Aaron Benedict started to manufacture ivory and bone buttons in Waterbury.

Born August 9, 1785, the sixth child in a typical New England family of the era, he cherished the thought of a liberal education. His older brother Amos graduated from Yale in 1800 and Aaron planned to follow the same course, but illness in his second college year prevented. For health



RADIO, bubble pipe, whistle and gazoo made from plastics by Waterbury Button Co.



DIVERSIFIED line of plastic articles made for the electrical, container, hardware and metal specialty industries by Waterbury Button Co.

rather than adventure, as in the case of a later industrial leader, Samuel Colt, young Benedict took a sea voyage. Following this treatment up with three months of labor on his father's farm restored his health completely, but not his confidence that he could withstand the mental indoor rigors of the classroom. In his 20th year (1804) he left his father's home and entered the mercantile business in Waterbury with Mr. Joseph Burton as partner.

This venture was by no means a real success but Aaron Benedict "stuck it out" for eight years, or four years after he had met and married Miss Charlotte Porter, daughter of Abel Porter, the man who had first made brass buttons in Waterbury in 1802, and whose first enterprise, Abel Porter and Company, is credited with being the foundation stone of Scovill Mfg. Company.

Thus married into a family of button makers, the unsuccessful merchant, Benedict, doubtless was impressed with the fact that the Porters made some money producing wire eye brass buttons while he failed to make worthwhile profits selling merchandise. Noting a demand for ivory and bone buttons he began making them in 1812. Shortly after launching his business came the War of 1812 which started Mr. Benedict into the production of pewter buttons for the army and navy. A change in popular de-

mand caused him to become associated with four other men — Mr. Bennet Bronson of Waterbury and Messrs. Nathan Smith, William Bristol and David C. DeForest of New Haven in the production of brass gilt edged buttons which appeared to be making money for Leavenworth, Hayden and Scovill — successors to Abel Porter and Company. The firm was known as "A. Benedict" and its capital was \$6500.

Through a half dozen changes in partnerships from A. Benedict (1823) through Benedict and Coe (1829) to Benedict and Burnham (1834), the fortunes of Aaron Benedict's enterprises were all to the good, having expanded from an original capital of \$6500 in 1823 to \$40,000 in 1834. By 1840 the capital of this latter partnership had increased to \$100,000.

En route in his climb to prominence as a great brass producer, Aaron Benedict had pioneered in being the first to import from England and install equipment to roll his own brass sheets. Both he, the Porters and Scovills had previously sent their brass to be rolled by a crude mill at Bradleyville, in Litchfield County. Thereafter Scovill started to roll its own brass. By "rolling their own" these two original concerns were able to produce slightly more sheet brass than needed for the button trade. Although they sold a part of their extra supply of sheets

to Boston manufacturers of kettles, fire engines and grates, they still had an excess supply. Whale oil lamps and sundry small articles were the first offshoots from the regular business of button making. Later in 1837 when the process of electro-plating came into prominence, a sizeable new outlet was created for the products of the brass factories. Bolts and hinges, hooks and eyes, brass rods, tubing wire, pins and countless other articles were added as the years rolled up new inventions and created new demands.

Waterbury Button Incorporated

It was the practice of Benedict and Burnham to detach from the parent company any branch of the business which had grown to the point where it could be carried on better by itself. Stock in the new companies thus created was usually distributed as a dividend to stockholders of Benedict and Burnham. Thus it came about that the American Pin Company originated in 1864, and that the Waterbury Button Company was incorporated in 1849 to concentrate its efforts in the field of button making. Another split-off from the company became the Waterbury Clock Company, while the parent company was absorbed in 1900 with several other brass companies in Waterbury and Ansonia to form the nucleus of the present American Brass Company.

Actually the Waterbury Button Company was a combination of the



PHOTO above shows one of the first plastic molding presses, still retained as a relic by the company.

button department of Benedict and Burnham and Festus Hayden and Sons Company, one of the ten manufacturers then making buttons in the Waterbury area. At the start were also associated with the company D. F. Maltby; Israel Holmes, who assisted in the organization of more brass companies than any other man; George W. Benedict, Bennet Bronson and Aaron Benedict. Original officers included: John S. Mitchell, president and treasurer; Benjamin DeForest, Jr., secretary; Henry H. Hayden, agent for the company. Besides the officers, other directors were Gordon W. Burnham and J. C. Booth.

When the Waterbury Button Company, one of the oldest special charter corporations of the state, was formed as the first organization to engage exclusively in the button business, a little wooden building with an overshot water wheel at the side which stood opposite the company's present site was reserved for the melting and rolling of brass. The first of the company's buildings were then erected on their present site to house the production and office activities.

The Romance of Buttons

From its earliest days of button making (1812) while identified as "A. Benedict" the Waterbury Button Company has catered to the button fads of the day in both civilian and army clothes. Since the day this country stopped importing buttons in quantity, the romantic history of but-

tons in America, Europe and many other foreign countries, is recorded by the sample cards and record books of the company. It is more than a history of buttons—it is a history of the world in its varying moods and styles. These files include tales of wars in America and Europe and bitterly fought political campaigns. They include both Union and Confederate Army buttons, the famous political campaign buttons worn during the Greeley-Grant fight down to campaign buttons of the past decade. Arranged by the side of many of these campaign buttons are large ornamental affairs that were for years the principal adornments of gowns and hats. Fads and fancies reminiscent of the days when milady wore a tight bodice severely buttoned from "stem to stern," perched in these record books alongside of huge cameo-like affairs used for buckles, gilt ball buttons, chased by patient hands, buttons with jeweled centers and glass cameos with the glass "pinched in"—all telling of the days when women wore enough clothes to require several dozen buttons to finish them off.

In the Waterbury Button Company sample card files are literally hundreds of novelties, growing out of the making of buttons for trimming, which are reminiscent of former times. They include coin cuff buttons, designed to represent gold pieces of various denominations and therefore affluence on the part of the youthful wearer of a bygone day. Accompanying these were stick pins headed with round buttons each bearing the seal of some state of the Union according to the wearer's choice. The pins were made for a tobacco company, being obtained for a certain number of coupons. They were said to be more popular in their day than the most famous cigarette pictures of a later period.

In these files were novelty hatchets and Teddy bears and potato bugs mounted on pins, fancy brass pincers for holding a rabbit's foot (designed to dangle jauntily from the button-hole as occasionally the gardenia of today), badges for Cuban police, fraternity and society buttons and badges, old fashioned milk bottle covers of brass, huge belt buckles, bugle trimming, candy tongs, parchesi counters and dozens of others no longer in demand.

Military buttons of almost countless sizes and descriptions made for various units of the United States Army and Navy and for the military



AUTOMATIC lipstick made for the cosmetic trade from plastic. Lipstick comes out when closure is pushed down along the side.

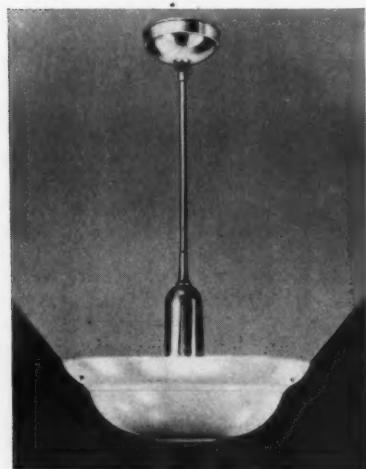
forces of many other powers are included not only in the home office collection of the Waterbury Button Company but also many have the distinction of forming a part of rare private and museum collections.

The company has also made many non-military buttons for various government departments. Buttons for clothing on well-aged sample cards varied from the tiny ball types that were sewed on basques, row on row, to others large enough to close a Mason jar, all representing the trend of fashion as superbly as an old photograph album.

Gayly frivolous by comparison with the sombre vegetable ivory buttons designed to hold captive the bulging chestline of the male species, were others designed to fasten nothing at all besides the eye of those who would "behold the wearer." Still other styles, in manifold variety were used to adorn hats.

Later Developments

Just as the mold of the Waterbury Button Company was cast at a time when buttons were as popular as the Democratic party on November 3, the management has sought through the years to "beat the gun" on any sudden shifts in public demand. With the aid of its information since received



LARGE anti-glare ceiling type plastic light shade recently introduced. It is strong enough to hold the weight of a man.

through the cooperation of its many customers, foreign and domestic, together with its cumulative judgment seasoned by many years of experience, the management has been successful in taking full advantage of all popular trends in demand within the scope of its production facilities.

As early as 1852, records indicate that the Waterbury Button Company "took a leaf" from Scovill Mfg. Company's book and began to do some molding of checkers, dominoes and buttons from a resinous (now called "plastic") black material out of which Scovill was then manufacturing black cases for daguerreotypes. Later, when Scovill discontinued the production of

joyed a double profit advantage—one on the manufacture of metal portions of an article and another on the plastic part. At the same time its well-rounded facilities permit more complete supervision in the production of the entire article, thus eliminating dual responsibility—an advantage from the standpoint of the customer.

During the past decade, and especially during the depression years from 1930 to the present, the plastics end of the business has increased by leaps and bounds until it far overshadows the button, buckle and ornament lines which "brought home the bacon" in profits for more than 50 years when style decreed them for clothing needs and adornment. While Waterbury Button is known as a custom molder of plastics from any of the compounds produced by leading makers, it has also developed certain standard lines where a regular consumer demand is found to have reasonable stability.

Among the standard lines, the company's toy line of whistles, bubble pipes and gazoos (a new wind toy similar to a whistle, being a combination of metal and plastic) is believed to be produced in greater volume by Waterbury Button Company than by any other maker. The most recent and sensational product yet introduced is the Pastel-Lite line of lighting equipment made in standard colors as follows: Athenian green, Egyptian ivory, Doric black, Versailles orchid, Alpine white, maple, walnut and mahogany. Illustrated on the front cover of this issue is an ivory double socket plastic wall fixture, two different designs of ivory light shades (upper right and lower left) and one anti-glare adapter for separate use over any light bulb where it is desirable to eliminate glare. Several single, double and triple ceiling fixtures as well as several other styles of wall brackets round out the present line, introduced only three years ago. By test the Pastel-Lite fixtures and shades outdistance glass for strength and beauty, while the latter far exceeds glass in anti-glare qualities. To date Waterbury Button Company is believed to be the chief factor in this virgin field of plastic lighting equipment.

The company also produces almost countless other products from plastic compounds such as radio cabinets and parts, bottle and container caps, cosmetic containers, electrical outlets, control dials, clock cases, thermometer frames, door plates and dozens of

others in the electrical, surgical, household utility and novelty field. Its design, sales and production departments constantly work in harmony to develop either radically new designs for old or prospective customers, or when desired, to simplify or beautify, for economy or sales appeal, designs submitted by customers.

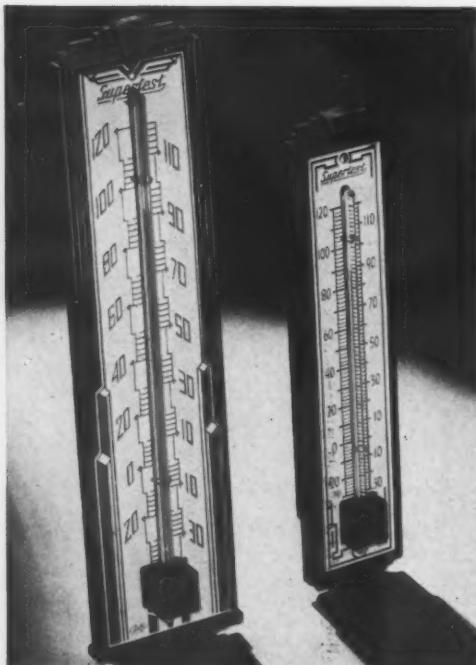
One might go on ad infinitum telling the many interesting stories about this stable Connecticut company, old in years but up-to-the-minute in ideas and ability to carry them out with its present skilled personnel and rich reservoir of experience to draw upon. But why go on at the risk of repetition and reading boredom?

In short the Waterbury Button Company is a true child of the brass industry, inheriting the latter's insatiable curiosity for the new and novel and the skill to produce them. When it stepped out on its own in 1849, it had much of the cream of Waterbury's brass making skill to guide it through the difficult period of the Civil War and shortly thereafter. From 1873 until 1920 the business prospered under the guidance of J. Richard Smith, son of one of the company's then largest stockholders. Since 1920, Warren F. Kaynor, present head of the company and son-in-law of J. Richard Smith, has guided its destinies with flying colors through the most trying period of its existence, when it took the highest form of courage to develop for the future when no one knew or dared hazard the outcome.

Despite all new developments in the plastic field Waterbury Button still does its share in the button business, now shrunk by style changes to a phantom of its former size. It is called upon many times to make authentic buttons for various military units, foreign and domestic. Dramatically enough, the movie industry leans heavily upon it to produce buttons which are authentic for any given costume period.

Today the company distributes its products in the domestic trade through its own sales force operating from branch offices as follows: New York City, Rochester, N. Y., Boston, Mass., Chicago, Illinois, Philadelphia, Pa., San Francisco, California, and Toronto, Ontario. Foreign business is handled through a New York agent.

Present officials of the company are W. F. Kaynor, president, general manager and treasurer; C. Sanford Bull, vice president; H. W. Baer, secretary and assistant treasurer.



INDOOR and outdoor thermometers.

daguerreotypes and the molding of the plastic cases, Waterbury Button used this process extensively in the production of numerous utility articles, a few of which were mentioned previously in this article. Thus Waterbury Button Company stakes its claim as the oldest concern still producing plastics.

As time marched on, the company took full advantage of its metal and tool and die making facilities to produce metal novelties both alone and in combination with plastics. Thus Waterbury Button has many times en-

THE TWENTY-SIXTH ANNUAL MEETING

THE twenty-sixth annual meeting of the Association, held October 29 in the ballroom of Hotel Taft, New Haven, will no doubt be remembered from the standpoint of practicality as the outstanding session in all Association history. It was definitely a "work conference" designed to fill the need for authoritative and specific advice on problems created by recent legislation — The Revenue Act of 1936, the Robinson-Patman Act and the Federal Social Security Act. Instead of academic consideration of the history and philosophy of these laws, or a discussion of fears for the future of industry in

report of stewardship, and the reports of the Treasurer, Budget and Nominating Committees. The panel of officers and directors selected by the nominating committee (James E. Bryan, president of Undine Twine Mills, Inc., Moodus; W. R. L. McBee, treasurer of the Gardiner Hall Jr. Company, South Willington; George Hildebrandt, secretary of the American Hardware Corp., New Britain; F. Thatcher Lane, president, Seamless Rubber Co., New Haven; and George F. Green, treasurer of John F. Green and Sons, Inc., Danbury), on August 20, and presented to the meeting, was approved.

F. C. Luce, vice president, Cyril Johnson Company, Stafford Springs, for Tolland County; Edwin S. Todd, president, Clark Brothers Bolt Company, Milldale, director at large; and Franklin R. Hoadley, vice president, Farrel-Birmingham Company, Ansonia (newly elected president of Atwood Machine Company, Stonington, effective January 1, 1937), director at large.

Because of the unavoidable absence of Mr. C. L. Campbell, treasurer, the annual financial report was presented by Mr. A. C. Fuller, president of the Fuller Brush Company, Hartford. Showing that the Association had



the midst of sweeping shifts in the tide of democracy, this year's program dealt through question-and-answer clinics with the practical application of these new legislative statutes to specific problems submitted by members.

Assembling at 11 A. M. in business session, over 400 members heard President Hubbard's welcome and brief

All officers were reelected as follows: President, E. Kent Hubbard; vice president, John H. Goss, vice president, Scovill Mfg. Company; treasurer, C. L. Campbell, vice president, Connecticut Light and Power Company. Elected to the board of directors to serve a four year term starting January, 1937, were: James E. Bryan, director for Middlesex County;

lived well within its budget during the 1935-36 fiscal year, the report was unanimously accepted without comment. The report of the Budget Committee (Charles B. Cook, vice president, Royal Typewriter Company, James L. Goodwin, president of the Whitlock Coil Pipe Company; C. L. Campbell, treasurer of the Association and Albert C. Fuller) was also



Franklin R. Hoadley, vice president Farrel-Birmingham Co., Ansonia.



James E. Bryan, president Undine Twine Mills, Moodus.



Edwin S. Todd, president Clark Brothers Bolt Co., Milldale.

(Continued from page 7)

presented by Mr. Fuller. The budget was slightly increased for the fiscal year 1936-37 to cover the anticipated extra expense always incurred during legislative periods.

The entire luncheon and afternoon sessions beginning at 12:00 and 2:00 P. M. with the exception of greetings by Governor Cross, the "off the record" speech by E. M. Van Voorhees, managing director of General Motors Export Corporation, and questions and answers on Social Security, are described in the connected story following. Because the afternoon discussion and question and answer clinics contained so much information of vital importance to manufacturers, we suggest a close study of these portions of the annual meeting story, and the retention of the December issue as a future reference guide to a more thorough understanding of the 1936 Revenue Act and the Robinson-Patman Act.



F. C. Luce, vice president Cyril Johnson Co., Stafford Springs.

Luncheon Session

Pres. Hubbard. Gentlemen, may I please have your attention? It is a source of unusual pleasure to be able to extend personal greetings to so large and representative a cross-section of the membership of the Association gathered about the luncheon

table. The privilege does not come to me often. The everyday business of the Association, and even its extraordinary activities, are carried on through the machinery set up in the by-laws for that purpose, without the frequent personal contact which I be-

lieve in so strongly. Recognizing this shortcoming, I have tried, during the current year, to establish a personal contact with every member of the Association, no matter where located, by a personal call on the part of some member of the staff. Those visitations have been going on throughout the year and I am happy to be able to report that all but a few of the members have already been seen at least once, and the remainder will have been visited before the close of the calendar year.

These calls have a definite objective, quite apart from the desire to carry the Association to the executive in his office. I have referred frequently in the last two years to the difficulty of ascertaining the mind of the membership on pending legislation. In years past, your officers and directors felt no need of going back to the membership for a mandate because the general sentiment on legislation affecting industry was reasonably uniform and reasonably certain. The last 40 months, however, has seen a change. Legislative proposals which we used to regard as utterly fantastic and certain of nothing more than a perfunctory hearing before their eventual death, have taken on dignity and are now given respectful attention and often the seal of final approval. Moreover, industrialists are not always of one mind on some of these matters, as

they once were. And since this Association is nothing more or less than the composite mind of its constituent members, it has become necessary to ascertain at first hand, the position which the membership desires its headquarters' office to take on pieces of legislation which fall in that doubtful class.

The visitations which you have been receiving, therefore, are mainly a means to that end and I am happy to report that we have made satisfactory progress, all things considered. This meeting, at least in some of its phases, is another step in that process. Our success in uncovering your separate predilections, and evolving from them a unit viewpoint, will depend on the extent to which you enter into this afternoon's program. I again urge you to take the fullest advantage of the opportunity.

General gatherings of the Association membership are, as I have said, unfortunately limited by the nature of things to a single meeting a year. This is the first opportunity I have had to sit with the membership generally, since their gracious gesture toward me at the last annual meeting commemorating a quarter of a century of my active identity with the management of the Association. A sense of gratitude moves me to make public acknowledgment of that thoughtful and generous act. There are times in life when the emotions overwhelm the faculties—when sentiments which try to find expressions in words end up as a lump in the throat. That moment in the Armory last October was one of those occasions, and if I was not articulate in voicing my gratitude, you can perhaps understand the surge of emotion which overcame me. Life offers few joys more abiding than the love and loyalty of those whom we are privileged to serve. When they come forward with tributes which a creature in the frailties of his humanity can hardly hope to merit, it would be a callous soul indeed who was not seized with utter humility. I was then, and I am now deeply and humbly grateful, not only for the motives which impelled your action, but for the much needed respite from heavy burdens which your thoughtfulness permitted me to enjoy.

An organization established as long as this Association almost inevitably acquires certain traditions. One of our traditions is that the annual meeting shall always be graced by the presence of the chief executive of the common-

wealth. Search the records as far back as you may and you will find hardly a single year when the occupant of the Governor's chair for the time being has not been in our midst. There is in this tradition a certain justice. It is, I believe, a fitting recognition of the unique place of industry in the economic scheme of this commonwealth and in the dependence of its citizens on the well-being of industry. It is, at the same time, testimony to the recognition by manufacturers of their responsibility toward the citizens of the state and its sovereign government.

It is, therefore, with a special sense of pride that we welcome Governor Cross this morning. We receive him, not only as the repository of the sovereign power of the state, but as one who, in the discharge of the responsibilities of that high office, has not lost sight of the contribution of industry to the common weal. I shall not presume to introduce him. Rather, I shall present you to His Excellency, Wilbur L. Cross, Governor of the State of Connecticut. (*Governor's remarks were extemporaneous and "off the record"—Ed. note.*)



E. M. Van Voorhees, managing director, General Motors Export Division.

* * *

Pres. Hubbard. Recent events in the Iberian Peninsula hold for all of us more than an academic interest. In the minds of those of middle age or beyond, the conflagration of 1914 is

too fresh in memory not to hold certain forebodings. All of us recall the seeming insignificance of the events which led to it in the summer of 1914, and the startling spread of the flame once kindled; and it is difficult to stifle a sense of dread that the contagion will repeat itself. If it be said that the parallels in the Spanish affair are less with 1914 than with more recent events on the Continent, we are not afforded much consolation, because, in terms of the ultimate welfare of the United States, one condition is hardly preferable to the other.

Most of us have tried to follow the history of recent developments there through the daily press. In that way, we are probably able to gather the external facts, if we are patient enough. But the true inwardness of the situation—the social, spiritual, philosophical and economic concepts that lie behind it are more or less concealed. Yet they must be known before there can be an adequate appraisal of its purely historical aspects.

At the September meeting of the National Industrial Conference Board, of which I have the honor to be Chairman, the Board members present were privileged to hear a first-hand account from an eye witness who was concerned, not only with the historical facts, but with those aspects which would naturally affect a business man. His audience was tremendously impressed and I immediately resolved to bend every effort to bring him before this Association, in order that you might share the privilege we enjoyed that day. I am happy to say that I succeeded in persuading him.

Mr. E. M. Van Voorhees, who will speak to us on the Spanish Civil War, is managing director of the General Motors Export Division, and to that extent we have a special feeling of kinship with him, because Connecticut shelters another division of the corporation, the New Departure Manufacturing Company, with plants in Bristol and Meriden. Mr. Van Voorhees has had 18 years' continuous experience abroad. He has represented the General Motors Corporation as managing director of their overseas factories in Brazil, Japan, China and more recently in Spain, whence he has just returned. He also represented the directors of the Corporation during a period of 2 years in negotiations with the Soviet Government in Moscow. As vice president of the American Manufacturers' Export Association he has kept in touch with the problems

of industry in this country. A close observer of internal conditions in Spain, as he would naturally be in the interests of his corporation there, Mr. Van Voorhees brings to the American audience a vivid description of the actual conflict, and a business man's commentary on economic and political conditions surrounding it. He appears before us at a session closed to the press and will thus be able to speak with complete frankness. In this connection, I know you will respect the injunction he had laid on us because, as he will probably mention, he is charged with the safeguarding of an invest-

ment of several million dollars in that country, and may perhaps go back in the interests of his company's sales. Having undergone an analogous experience in relation to Italy, I have a rather healthy respect for his wishes and I know you too will have.

It gives me great pleasure to introduce Mr. E. M. Van Voorhees, managing director of the General Motors Export Division, and lately returned from Spain, where he was identified with General Motors Peninsular S. A. Mr. Van Voorhees. (Mr. Van Voorhees' remarks not for publication—*Ed. note.*)

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Discussion Clinics

Pres. Hubbard. Gentlemen, we have thus far adhered to our determination to make this session brief, pointed, and practical. And to continue along this line, we shall now resolve ourselves into a committee of the whole for the three discussion clinics which have been described to you in the various bulletins and on the printed program which you have before you.

The first is concerned with taxation, with special reference to the Revenue Act of 1936, and with special emphasis on the tax on undistributed earnings of corporations. The unreasonable character of this levy needs no comment by me. In this one bill we have a distillate of almost all the objectionable legislation of the last few years. First, it was unsound in conception, in that it substitutes legislative fiat for the judgment of directors on the vital question of the distribution of corporate earnings. As Professor Fairchild pointed out in his testimony on our behalf before the Senate Finance Committee, the unfortunate effects of such a policy upon the stability of business corporations, upon the prospects of future profitable business, upon the confidence with which those who direct the destiny of American business shall view the future, and so upon the rate at which the American people shall escape from economic depression, would appear well-nigh obvious.

Secondly, it was irregular in the mechanics of its introduction and passage, having been subjected to hearings in the House before there was even a definite text of a bill, and was thence railroaded through, despite opposition as a measure bearing the "must" of the White House. It has

a number of other unsound or irregular phases which I shall not dwell on because you are to listen to experts.

Perplexing questions regarding the application of the new tax can be asked and answered specifically through an arrangement whereby the Connecticut Society of Certified Public Accountants has provided a panel of its members, comprising experienced practitioners to sit as a question-and-answer board, not only on queries that have been received in advance, but on any that may come from the floor. The panel comprises Seth Hadfield, senior member of the firm of Hadfield, Rothwell, Soule and Coates, accountants, Hartford; J. William Hope, senior member of the firm of J. William Hope & Company, accountants, Bridgeport (former state treasurer, president, Connecticut Society, Certified Public Accountants); and Edward I. Petze, senior member of Petze & Schuyler, accountants, New Haven (secretary, Connecticut Society of Certified Public Accountants).

The Association headquarters is gratified to be able to offer this unusual attraction, through the courtesy and cooperation of the recognized organization of public practitioners in this state. Here is an opportunity for Connecticut manufacturers to obtain pointed and individualized advice as to how they will be affected by the tax on undistributed earnings and other phases of the new act; and to get pertinent information on which to formulate fiscal and dividend policies for the remainder of the year in contemplation of the return due next March—and all as the combined judgment of a group of experts.

The session will be presided over by

Professor Fred R. Fairchild of Yale University, whom most of you know because of his long service to this Association as tax advisor to its Committee on Finance and Taxation. I shall not take time to enumerate his professional qualifications. You have some of them before you in the printed program and I think I can assume, moreover, that you have long since come to accept him as an authority, as most well-informed people in the tax world do. He appeared in your behalf before the Senate Finance Committee last spring when the revenue bill was under consideration, and he made what we believe to be the first telling points against the bill—so much so that the Finance Committee reported out a much sounder draft, even though the Conference Committee restored most of the objectionable provisions in the House draft. Professor Fairchild's appearance before you today has an added point of interest in that he was singled out for attack by Congressman Kopplemann of the first Connecticut District for having, as the Congressman phrased it "stultified the profession of economists when for pay he said the Connecticut Manufacturers Association is opposed to the new tax in the interests of the little fellow".

Perhaps Dr. Fairchild is by now recovered from this humiliation. I



Fred R. Fairchild, Ph.D., professor of Political Economy, Yale University, and tax advisor to the Association.

now present him to you as the discussion leader of this clinic on taxation, with two final suggestions: — first, make the fullest use of your opportunity to ask questions; next, remember that you are not confined to questions on the undistributed profits tax, but may ask questions on the application of other phases of the Federal Revenue Act, or of state or local taxation.

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Taxation

Chairman Fairchild. President Hubbard, Officers, Directors and Members of the Manufacturers Association of Connecticut: It has been some time since I last had the pleasure of standing on this platform, facing my friends, the members of this Association. I can assure you that it is with very great pleasure that I find myself here again. I feel thoroughly at home and, in spite of the long period which has elapsed, I feel a joy in returning which must be similar to that experienced by the Prodigal Son as he returned to the parental home. The correctness of my analogy is further evidenced by the sumptuous slice of the fatted calf which as your guest I have just been permitted to enjoy.

The conference this afternoon is to mark an innovation in the order of your regular proceedings. In the instructions which I received from your office at Hartford, I was told that instead of the ordinary procedure of set addresses, this conference was to follow the "catechetical" method. That word "catechetical" is a little highbrow for a mere college professor. Twice this morning in jotting down some memoranda for this afternoon's meeting I have been guilty of misspelling it, and I am very doubtful as to whether I have correctly pronounced it. If any of you gentlemen have been disposed to entertain misgivings as to the intellectual caliber or the educational attainments of your officers and staff, I would suggest that the free and easy nonchalance with which they use such words as this ought to set your minds fully at rest. (Laughter.)

I do think, however, that I know what the word means. I believe it indicates that the type of discussion which might be called—well, suppose I drop back into the lowbrow language of the academic world—the classroom or quiz discussion as compared with the lecture. This method has had an honorable career, going back to the

days of ancient Greece, since which time it has been commonly known as the Socratic method, a method by which the students gather about the philosopher and by question and answer arrive at the truth.

In the terms of academic choice, as between the lecture and the free-for-all discussion, I confess to a very strong preference for the latter. On certain past occasions, you have suffered under my ministrations in the lecture style, and this afternoon you will be glad to know that that method is in the discard. You will further be pleased to know that I have not even been cast for the rôle of Socrates in this performance.

We have with us this afternoon a galaxy of stars who will take the rôle of Socrates, something like the old performance in the gay nineties of the play Uncle Tom's Cabin, which joyfully announced on the billboards three Topsy's, six little Evas, and hundreds of bloodhounds. (Laughter)

For the matinee this afternoon there are assembled three Socrateses—if that be the correct plural—and this rôle will, I am sure, be ably performed, to your entire satisfaction by actors of undoubted attainments, experience, and skill. This was to have been the high point in my introductory address, as I drew out my list and read to you the distinguished names of these certified public accountants, and the firms which they represent, but Mr. Hubbard has stolen my thunder and already made that announcement, so that you will assume that I have named these distinguished performers. It may be that familiarity even with certified public accountants breeds contempt, but I am disposed to think that most of you will feel the same sentiments of worshipful awe which arise in my own breast as I contemplate the high and distinguished names of the firms which these able accountants represent this afternoon. It means a lot to me, whatever it may to you.

Before going further, I should supplement what the President has said as to the order of procedure this afternoon. Time is short, and I think we are already not quite up to printed schedule as to time. It is planned that our guests from the Accountants' Association shall, when I proceed later to introduce them, answer somewhat formally and briefly the written questions which have been submitted to them. Thereafter, certain other topics will come up for discussion, and then

in what time is left, the expert accountants will elaborate further upon their formal answers and will entertain questions from the floor which they will be pleased to discuss.

As to my own contribution this afternoon, the restrictions of the catechetical method require that I should not inflict upon you an address, and even were I so permitted, I would be somewhat at a loss as to what I should say. You are pretty well aware of my own views with respect to the Revenue Act of 1936. In the first announcement by the President of the United States, it embraced certain changes which seemed to indicate a fundamental reform of our taxation of corporations, partnerships, and individuals, which might have been very helpful. There was something there which I myself have been publicly advocating for a good many years. But before things went very far, it was evident that those salutary changes were completely submerged by other changes, and in the final enactment, they have been entirely washed out. Any economist who looks at taxation in a dispassionate way from the point of view of the public interest must, I should think, have lost confidence and found himself forced into a position of opposition.

You have had the opportunity of reading, through one of your bulletins, a summary of the remarks which I made before the Senate Finance Committee last spring, and it would be quite out of order for me now to rehearse any of that.

I will simply conclude my own contribution here by saying that it seems to me our present method of taxing corporations involves, among other things, two very serious errors. The one is the graduated rate, which has no foundation whatever in any sound economic principles of the taxation of corporations, no slightest reference to the principle of ability to pay, but rather tends to produce the opposite result of a regressive burden on the small shareholders as compared with the burden upon those investors who are possessed of great wealth.

The other feature is the one which was introduced in the Act of 1936; that is, the punitive tax on undistributed earnings. Much has been said upon this, and I need not, I think, go into detail, except simply to reiterate my firm conviction that this provision is unsound in that it discriminates between the large and wealthy corporations and the young, strug-

gling, weak corporations, to the disadvantage of the latter group; it penalizes those corporations which hope to make good past losses by present and future profits, and those young corporations which hope to counteract the initial losses which any new business must frequently expect to encounter by the later profits when the enterprise becomes established on a firm foundation; that it discriminates against those industries whose business is of a seasonal or cyclical character, in which there is an inevitable succession of good business and bad, making it difficult to use the profits of good times to counteract the losses of bad times; and that it is especially a handicap to those corporations which cannot or ought not or are legally inhibited from distributing all of their earnings or the major part in dividend payments to their stockholders.

But this is not, I think, the line which your discussion is to take this afternoon. Your interest this afternoon is in the more technical features of administration, the special problems of accounting and reporting which you as manufacturers are directly facing in your adjustment to this measure. On such matters I am in no sense an expert qualified to help you, but we have with us the distinguished representatives of the committee of Certified Public Accountants who have already been introduced, and who are prepared now to present the questions which you have handed in, with their answers. Mr. Hope!

(Applause)

* * *

Questions and Answers

PRESENTATION OF QUESTIONS AND ANSWERS DEALING WITH REVENUE ACT OF 1936, BY MESSRS. HADFIELD, HOPE AND PETZE, COMMITTEE OF CONNECTICUT SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS.

Mr. J. William Hope. Professor Fairchild, President Hubbard, Ladies and Gentlemen: If you will try to forget the appellation of Socrates, I am sure we will be a whole lot more comfortable in our undertaking.

The Connecticut Society of Certified Public Accountants is happy to have this opportunity to cooperate with The Manufacturers Association of Connecticut, Inc. in this work. We, the panel, are merely a committee of our Society, which consists of approx-

imately 160 practitioners in Connecticut, each one of whom, I am sure, is fully qualified to fulfill this assignment.

There have been a number of formal questions presented. Before attempting to present formal answers to them, I think it desirable that a general thought and a word of caution be expressed. It is suggested that in preparing income tax returns and in computing taxes under this new 1936 tax law, taxpayers should exercise ex-

amount of dividends paid. I have in mind such items as capital expenditures charged off as expenses, excessive depreciation, bad debts and other losses which might be difficult to substantiate to the satisfaction of a Federal examiner. Hence, under this new law, it is important that tax returns be accurately prepared.

In preparing the answers to the questions submitted, it has been necessary to assume that the questions fully set forth the circumstances and conditions of the problems; any omission of an important feature of the question might materially or completely alter the answer. Please have in mind, therefore, that the answers do not attempt to cover all possible phases of a particular subject, but, on the contrary, are confined to the specific questions submitted.

1. Question: In the event that certain items of income and expense are charged or credited during the taxable year 1936 direct to surplus, because of their being applicable to operations of a prior year, but are properly to be considered as taxable income or allowable deductions for the purposes of the normal tax, are such items also to be used in computing the undistributed profits tax in the current year?

Answer: Yes. All of the items of income and expense included in the computation for purposes of determining the base for the normal tax are required to be used in connection with the determination of the surtax on undistributed profits. Care should be exercised, however, that such items properly belong in the computation of the current year's taxable income and not to that of a prior year, as a disallowance upon examination may result in an unexpectedly large additional surtax charge.

2. Question: Can dividends declared in 1936, but not paid until 1937, be treated as a credit in computing the undistributed profits tax for 1936?

Answer: No. Section 27(a) of the Revenue Act of 1936 provides as follows:

"For the purpose of this title, the dividends paid credit shall be the amount of the dividends paid during the taxable year."

The Law itself gives no further application of the quotation cited. The Regulations recently issued by the Commissioner of Internal Revenue, known as Treasury Decision No. 4674, promulgated under authority granted by the Act, undertakes to prescribe



J. William Hope, senior member accounting firm, J. William Hope & Co., Bridgeport.

treme care in the determination of taxable income. A year or two after returns have been filed and the taxes paid, taxpayers frequently receive a visit from a Federal examiner who, in many instances, undertakes to disallow some of the deductions claimed by taxpayers and, in other ways, to increase the taxable income reported. Under previous tax laws such increases in taxable income meant only an increase in tax measured by a known percentage rate. Any increases which might be made under the present law, it will be readily realized, will not only occasion an increase in tax measured by the present graduated normal rates but by the graduated surtax rates as well on the resultant increase. It is apparent that had such possible increases in taxable income been recognized at the time of filing tax returns, it might have occasioned different action with respect to the

rules and regulations relating to the surtax on undistributed profits of corporations and relating to credits of corporations with respect to distributions. In general, the test of a dividend credit to a corporation by reason of a dividend paid is that such dividend must be taxable income to the shareholders within the same taxable year.

While the regulations cover a vast scope—too much to cover in detail—it might be well to outline a few of the outstanding types of dividends:

First Illustration: The M Company declared a dividend in December 1935 payable December 31, 1935, and at 5:00 P. M. on that date mailed the dividend checks. The checks would not, therefore, reach the shareholders until 1936 and, accordingly, would be reportable as taxable income by them for that year; consequently, it is our opinion the M Company is entitled to a credit for that dividend in computing undistributed profits subject to surtax in 1936 in accordance with Article 27-1 (b) of the Regulations which provides in part, "A dividend will be considered as paid when it is received by the shareholder."

Second Illustration: The X Company declared a dividend in December, 1935, payable January 15, 1936. Checks were mailed on the latter date. This dividend can properly be included as a credit for the year 1936.

Third Illustration: During the year 1936 The A Corporation had adjusted net income of \$500,000.00 and paid dividends of \$600,000.00. During 1937 the corporation had adjusted net income of \$700,000.00 and again paid dividends of \$600,000.00. There would be no surtax on undistributed profits in either year—in 1936 because distributions exceeded adjusted net income and in 1937 because the excess distribution of \$100,000.00 in 1936 may be carried over to 1937, making the dividend credit in the latter year \$700,000.00 to be deducted from adjusted net income of a like amount. Had the adjusted net income of the corporation in 1937 been only \$600,000.00, then, the excess distribution in 1936 could have been carried over to 1938 since the law provides for a two year carry-over.

Fourth Illustration: The A Company declared and paid during 1936 a dividend in stock of The B Corporation previously held as an investment. The adjusted basis of The B Corporation stock in the hands of The A Company was \$25.00 per share and its fair market value on the date

of distribution was \$40.00 per share. The Company's credit for the dividend paid would be computed upon the adjusted basis of \$25.00 per share since the law provides that if a dividend is paid in property other than money (including stock of the corporation if held by the corporation as an investment) the dividend paid credit with respect thereto shall be the adjusted basis of the property in the hands of the corporation at the time of the payment or the fair market value of the property at the time of the payment, whichever is the lower. The stockholder, however, would include the dividend in his taxable income for the year at \$40.00 per share, the market value at the time of distribution.

A stock dividend, even though declared in a different class of stock, would not be the basis of a dividend paid credit unless after the distribution the pro rata interest of the stockholders is changed.

In connection with any distribution other than in cash, we cannot too strongly recommend consultation with your legal and tax counsel. The ambiguity and intricacies of the law require much consideration before dividend action is taken.

3. Question: In the event of reorganization, it is understood to be customary in refinancing that the old unamortized bond discount and expense be deducted in the said year for income tax purposes, but amortized over a period of years on company's books. In figuring Undistributed Profits tax, should the income tax procedure be followed?

Answer: Yes. The Income tax procedure to be followed is:

Where the new issue of bonds is sold and part or all of the proceeds used to retire an earlier issue, unrecouped bond discount and expense on account of the earlier issue, together with the premium paid upon retirement, is deductible in the year of retirement.

A new corporation resulting from a consolidation, having taken over the assets and assumed the liabilities of the old corporations, while technically a distinct legal entity is practically a mere continuation of the old corporations and is entitled to the same amortized bond discount deduction that would have been permitted to the old corporations.

4. Question: In connection with refinancing, should premiums paid on called securities be a deduction in cur-

rent year's Federal Income tax and Undistributed Profits tax?

Answer: Yes. Premiums paid on called securities in connection with refinancing should be deducted in the current year's Federal income tax return, when computing both normal taxes and surtax on undistributed profits.

5. Question: Should premiums received on the sale of new securities be considered in current year's revenue for Income tax and Undistributed Profits tax or should same be amortized over life of issue?

Answer: If bonds or similar obligations of a corporation are issued at a premium, the net amount of such premium is gain or income which should be prorated or amortized over the life of such securities, such apportionment to be included in each respective year's income tax return.

6. Question: "We have outstanding 60,000 shares of common stock par \$5.00 \$300,000.00 9,000 shares of preferred stock \$12.00 par \$108,000.00 Surplus the first day of January, 1936, was \$84,000.00

The stock certificates read as follows:

"The holders of record of preferred shall be entitled to receive, when and as declared, from the surplus or net



Edward L. Petze, senior member, Petze & Schuyler, accountants, New Haven.

profits of the corporation cumulative yearly dividends at the rate of six per centum per annum, and *no more*, payable semi-annually, on the fifteenth day of January and the fifteenth day of July of each year commencing on the fifteenth day of July, 1927.

"Whenever all cumulative dividends on this preferred stock for the previous years shall have been paid and the accrued semi-annual dividends for the current year shall have been declared and paid, or a sum shall have been set aside from surplus or net profits sufficient for the payment thereof, then and not otherwise, the Board of Directors may declare dividends on the common stock, payable then and thereafter, out of any remaining surplus or net profits, provided, however, that no dividends on the common stock shall be paid prior to January first, 1929, and no dividends in excess of five per cent. shall be declared or paid on the common stock in any fiscal year of the company until all of this preferred stock is retired or held in the treasury of the company."

"It would seem clear that the amount which can be paid as dividends on both the preferred and common stock of the company is definitely limited by a 'written contract.'

"We would very much appreciate it if you would advise us how to figure the tax on an estimated net profit of \$75,000.

"Would it make any difference if, in declaring dividends, the motion was to read 'from surplus,' as is quite customary, or 'from net profits for 1936'?

"We have purchased 710 shares of the preferred stock, which is held in the treasury. The preferred stock is callable at \$13.50 per share."

Answer: This question is an involved one. First, because it requires a number of assumptions in order to arrive at an intelligent answer. Secondly, it involves interpretation of provisions new to the 1936 Revenue Act. The Law itself is not wholly clear. Such regulations as have been issued by the Commissioner of Internal Revenue still leave a great amount of uncertainty. Probably not until the courts have had an opportunity of rendering decisions with respect to these new provisions will any definite interpretations be had.

As to the assumptions, first, this Committee has assumed that no question can reasonably be raised by the government, that the corporation had arbitrarily refrained from retiring its

preferred stock in order to procure advantage of the provisions restricting the distribution of dividends; second, the Committee has assumed that the company has met all of its dividend requirements on the preferred stock prior to the taxable year 1936, that it has paid the preferred dividends on the preferred stock with re-

spect to the taxable year 1936, and that it has paid the 5 per cent. on the outstanding common stock during the taxable year 1936.

Then, based upon the premises and assumptions mentioned, and using the estimated net profit of \$75,000.00 given in the question, our answer to the problem, worked out, would be:

Adjusted Net Income	\$64,910.00
Aggregate of amounts which can be distributed:	
Earnings and profits of the taxable year before deducting Federal income taxes	\$75,000.00
Less: normal tax	10,090.00
Balance	\$64,910.00
Plus earnings and profits at beginning of taxable year	84,000.00
Total	\$148,910.00
Less amount restricted:	
All earnings and profits other than 6% divi- idend on preferred and 5% dividend on common until all of the preferred stock is retired or held in the treasury of the company—calculated as follows:	
Total earnings and profits	\$148,910.00
Preferred and common divi- dends not restricted	20,968.80
Amount Restricted	127,941.20
	20,968.80
Amount of Credit—Excess of Adjusted Net Income	
Net Income	\$75,000.00
Normal Tax	10,090.00
Adjusted Net Income	\$64,910.00
Less:	
Dividends paid	\$20,968.80
Credit on contract	43,941.20
Undistributed Net Income	\$0.00

In responding to the latter part of the question as to whether the vote declaring dividends was made to read as being "from surplus" or "from net profits from 1936" the answer is that it makes no difference as to the reading of such vote or votes.

7. **Question:** We would like to know if surplus accumulated prior to the passage of "Undistributed Profits Tax" is affected in any manner by this Act.

Answer: Surplus earnings accumulated prior to 1936 are not subject to the surtax on undistributed profits under the 1936 law but might be af-

fected by Section 102 thereof provided the accumulations exceeded the reasonable requirements of the business.

8. **Question:** Suppose my company's net income after deducting 85 per cent. credit for dividends received from other corporations is \$30,000.00. I figure the normal tax would be \$3,540.00, thus making the adjusted net income \$26,460.00. Is this correct?

If dividends are paid in any of the three amounts of (a) \$4,000.00; (b) \$8,000.00; or (c) \$12,000.00, are the following surtaxes on Undistributed Profits figured correctly?

	A	B	C
Adjusted Net Income	\$26,460.00	\$26,460.00	\$26,460.00
Dividend	4,000.00	8,000.00	12,000.00
Undistributed Net Income	<u>\$22,460.00</u>	<u>\$18,460.00</u>	<u>\$14,460.00</u>
7% of	<i>Tax</i>	<i>7% of</i>	<i>Tax</i>
\$5,000.00	\$350.00	\$5,000.00	\$350.00
12% of		12% of	
\$2,646.00	\$317.52	\$2,646.00	\$317.52
17% of		17% of	
\$5,292.00	\$899.64	\$5,292.00	\$899.64
22% of		22% of	
\$5,292.00	\$1,164.24	\$5,292.00	\$1,522.00
		\$1,164.24	\$334.84
			<u>\$14,460.00</u>
27% of		27% of	
\$4,230.00	\$1,142.10	\$230.00	\$62.10
	<u>\$1,142.10</u>	<u>\$230.00</u>	<u>\$62.10</u>
		<u>\$18,460.00</u>	
Total	<u>\$3,873.50</u>	<u>\$2,793.50</u>	<u>\$1,902.00</u>

Answer: To the first part of the question the answer is "Yes."

To the second part of the question the answer is "No." The 85 per cent. of dividends received which was deducted for purposes of computing the normal tax should be added back in arriving at the adjusted net income.

No amount being given for dividends received, the Committee has assumed for purposes of answering the question that \$10,000.00 in dividends was received, of which \$1,500.00 was included in the \$30,000.00 figure given in the question. The corrected computation would then be:

Net Income	\$38,500.00
85% credit for dividends	8,500.00
Normal Tax Net Income	<u>\$30,000.00</u>
Normal Tax Thereon	<u>\$3,540.00</u>
Now go back to net income	\$38,500.00
Deduct Normal Tax thereon	3,540.00
Arriving at Adjusted Net Income of	<u>\$34,960.00</u>

(This latter figure replaces the \$26,460.00 given in the question.) A revised computation of surtaxes follows:

	A	B	C
Adjusted Net Income	\$34,960.00	\$34,960.00	\$34,960.00
Less: dividend credit	4,000.00	8,000.00	12,000.00
Undistributed Net Income	<u>\$30,960.00</u>	<u>\$26,960.00</u>	<u>\$22,960.00</u>
7% of first	\$5,000.00	\$350.00	\$350.00
12% of next	3,496.00	419.52	419.52
17% of next	6,992.00	1,188.64	6,992.00
22% of next	6,992.00	1,538.24	6,992.00
27% of next	8,480.00	2,289.60	4,480.00
Totals	<u>\$30,960.00</u>	<u>\$5,786.00</u>	<u>\$4,706.00</u>
		<u>\$26,960.99</u>	<u>\$22,960.00</u>
			<u>\$3,626.00</u>

9. Question: We declared a dividend on common stock early this year out of accumulated surplus. Part of this dividend has already been paid in cash, but the balance must be paid in time notes in order not to deplete our cash position. Inasmuch as the unpaid part of the dividend is not affected by the 1936 tax laws, are we permitted to pay such part of the dividend in notes?

Answer: A dividend declared on common stock and partially paid in cash during the year, even though out of accumulated surplus, is deductible in figuring the credit allowable for purposes of computing the surtax on undistributed profits.

The remaining part of the dividend may be paid in time notes and claimed as a credit by the corporation to the extent of the fair market value of the notes, provided the shareholders report the notes received as dividends in their personal returns for the year at the same value as claimed by the corporation.

10. Question: Heretofore this company has declared dividends at its regular quarterly meeting in January of each year and before the company's books have been finally closed. These dividends have been credited to stockholders as of December 31 and payments thereon made during the following year. We understand that in 1936, if we are to declare dividends to escape the tax on surplus earnings, the dividends must actually be in the hands of stockholders not later than December 31, 1936. If this be true, stockholders whose returns are on a cash basis must make a return and pay tax on two years' dividends actually received in 1936.

Answer: The dividend declared at the quarterly meeting in January 1936 and paid in 1936 is deductible in computing the credit for the purposes of the surtax on undistributed profits for the year 1936, regardless of how

treated on the company's books. If further dividends are declared, paid and received by the stockholders in 1936, in order that the company may receive dividend credit therefor it would be necessary for the stockholders receiving such dividends to include them in their personal returns for the year in which the deduction is claimed by the company.

11. *Question:* Can we claim credit against the taxable income for necessary improvement made to the plant during the year?

Answer: No. Improvements which have a life longer than one year are subject to the usual depreciation charges which are deductible over the estimated normal life of the asset. The cost must be capitalized as in prior years. Investment in plant assets out of current year earnings does not avail the taxpayer of any tax benefits as the law is now written.

12. *Question:* This corporation, after heavy borrowings from the bank during the depression to keep its organization intact, meeting its obligations and at maturity reducing its loans by a large amount, entered into an agreement with the banks, prior to May 1, 1936, not to pay dividends until the loan was reduced to a comparatively small figure, unless they could also pay off principal on the loans. To date, no dividends have been paid but the loans are being decreased at every maturity. What can the corporation claim by way of deduction or exemptions?

Answer: This question is not quite clear. The Committee has tried to interpret the purposes of the question and accordingly makes answer as follows:

If the corporation had entered into a written bona fide contract with the loaning banks prior to May 1, 1936, wherein it was agreed that no dividends would be paid while any of the loans from the banks remained unpaid, then, in our opinion, a surtax on undistributed profits would not be incurred by the corporation under the Revenue Act of 1936.

On the other hand, if the agreement was merely an oral one whereby the company was required to, and did, regularly reduce the loans from time to time in a manner satisfactory to the banks, the corporation could not claim any credit for purposes of the surtax on the undistributed profits. This would hold true no matter how restrictive the terms of such an agree-

ment because of the mere fact that it was oral and not written.

13. *Question:* This company obtained an R. F. C. loan two or three years ago under an indenture prohibiting the payment of dividends. The loan was renewed from time to time, until in the early part of the current year, the corporation issued another loan from R. F. C. (application dated May 15, 1936) the proceeds of which were used in part to refund the previous loan—also under a restrictive clause in the indenture. In view of the fact that it was in part a refunding operation to take care of an obligation that dated well before the statutory limit of May 1, would the corporation be entitled to a credit under Section 26(c) (1)?

Answer: Based on the question as presented, we are inclined to believe that the new contract with the R. F. C. entered into subsequent to May 1, 1936 and the new loan made under the terms of that contract would preclude the corporation from claiming any benefits for purposes of computing its credit for surtax on undistributed profits, even though the same prohibition against the payment of dividends as contained in the old contract is present therein. Nevertheless, we are of the opinion that any company involved in the problem presented in this question would do well to procure competent legal advice, particularly inasmuch as we understand the point at issue has been raised by Mr. Jones of the R. F. C. with the President.

14. *Question:* Would Section 26(c) (2) permit a corporation to take as a deduction from net income the sum involved in a bona fide contract, executed by officers of the corporation, entered into prior to April 20, 1936, for the purchase of an unusually large amount of capital equipment?

Answer: Unless there is a provision in a written contract, even though entered into prior to May 1, 1936, which expressly restricts the disposition of earnings and profits of the taxable year, no deduction for purposes of computing the surtax on undistributed profits is permitted under Section 26(c) (2), irrespective of any other purposes of the contract.

15. *Question:* We have stockholders in England. What is our obligation in regard to withholding? For instance, what exemption do non-resident aliens enjoy?

Answer: A corporation payer of dividends is required to withhold and

remit to the Collector of Internal Revenue 10 per cent. of all dividends paid to non-resident alien individuals, fiduciaries or partnerships or non-resident foreign corporations.

16. *Question:* The facts are as follows:

On September 15th, 1932 the stockholders of this Corporation approved the sale of preferred stock, the terms of which sale provided that—

"The shares of the preferred stock shall be entitled beginning on the first day of October, 1932 to carry dividends payable on the first days of January, April, July and October in each year at the rate of six per cent. per annum and no more, to be declared and paid out of the net profits or surplus, such dividends to be cumulative and to have preference over dividends on the common stock of the corporation, so that no dividends shall be declared or paid on the common stock of the corporation while any of said preferred stock remains outstanding; nor shall any dividend be declared or paid upon said preferred stock so long as or if the corporation shall on its notes or other written evidence of debt owe in excess of One Hundred Thousand Dollars (\$100,000), but not including its capital stock."

The foregoing quotation is from the provisions of the preferred stock as set forth in the minute book of the Corporation and also as printed on the back of the preferred stock certificates issued and outstanding.

The preferred stock was issued and sold during the years 1932-33 and 1934. The Company has during all of this period, on its notes or other written evidence of debt, owed in excess of \$100,000.00. This condition will obtain throughout the year 1936. Therefore, it appears to us that in accordance with T. D. 4674 dated August 6th, 1936 that this Corporation is entitled to a credit in the amount of its Adjusted Net Income under Section 26 of the Revenue Act of 1936.

Answer: This question again involves a technical interpretation of Section 26(c) (1) relating to contracts restricting payment of dividends and regarding which so much uncertainty prevails. Nevertheless, it appears to us that the provisions of the agreement entered into between the Corporation and its preferred stockholders meet the requirements of Section 26(c) (1) of the Revenue Act of 1936 by reason of the fact

that it constituted a written contract entered into prior to May 1, 1936 and that the Company has had, and will have, throughout the year 1936, notes and other written evidences of indebtedness in an amount in excess of \$100,000.00 and because of that condition the directors of the Company are prohibited from declaring and distributing dividends on its outstanding preferred and/or common stocks.

In promulgating the foregoing answer, it has been assumed that the indebtedness amounting to in excess of \$100,000.00 remained constant throughout the taxable year.

17. *Question:* Questions on Taxation of Interest to Export Executives.

- (a) Are commission agents in foreign countries liable to tax under the Revenue Act of 1936 in the same way as they have been under previous Revenue Acts?
- (b) Does the collection of non-resident alien tax, mentioned in the previous question, concern the American principal or exporter? If so, in what way and to what extent?
- (c) How much is this non-resident alien tax, and does it apply to all types of foreign manufacturers' representatives?
- (d) What deduction and credits are allowed non-resident aliens?
- (e) Is there any variation in the amount of the non-resident alien tax from country to country?
- (f) How are hedging transactions treated with respect to non-resident aliens?
- (g) When do returns have to be filed on incomes of non-resident aliens?

Answer: Non-resident alien individuals continue to be taxable only on income from sources within the United States.

Non-resident aliens who are not engaged in trade or business within the United States and do not have an office or place of business therein are taxed on interest (except interest on deposits with persons carrying on the banking business), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income. Instead of the normal tax and surtax, such income is taxed at a flat rate of 10 per cent., except that in the case of a resident of Canada or Mexico the rate is reduced to such rate (not less than 5%) as may be provided by treaty with such countries. The tax is collected by withholding

at the source. Capital gains, including so-called gains from hedging transactions, are not taxed.

The 1936 Act also provides for taxing foreign corporations, similar to that applied to non-resident alien individuals. Non-resident foreign corporations are subject to withholding in the same manner and on the same types of income as non-resident alien individuals having no office or place of business in the United States. The rate of tax on such corporations is 15 per cent., except that on dividends which is 10 per cent., with a provision for a lower rate in the case of corporations organized under the laws of Canada or Mexico.

The rates and methods of collection provided in the 1936 Act both with respect to non-resident alien individuals and non-resident foreign corporations became effective on July 2, 1936. Prior to that date, the rates prescribed under the Revenue Act of 1934 prevailed.

* * *

Mr. Hadfield. The questions and answers just read complete those which have been formally received and answered up to within recent hours. However, there have been other questions presented since, which I will try to answer informally.

The next question pertains to the processing tax. The processing tax, as you must realize, is a very involved one. The question here is rather incomplete. To answer it intelligently would probably necessitate a number of inquiries, and it is suggested to the proposer of that question that we pass it now, and if the proposer wishes to further pursue it and if he will state the facts more fully, this Committee will be glad to respond to it in writing.

1. *Question:* If the directors voted to pay a salary to the president of the Corporation, even though he gave little time, said vote being recorded in the minutes, why is this allowable, Federalwise?

Answer: The facts are, all of our Federal income tax laws permit the deduction of salaries and compensation representing the reasonable value of services actually rendered. The mere fact that a corporation votes a salary of some arbitrary amount to an official who renders little or no service to a corporation does not make it a deductible item.

2. *Question:* If a dam gave way during a flood and had to be replaced, can such replacement be considered

flood *expense*, and an allowable deduction from profits?

Answer: The answer is "No". The Government will recognize the charging off of a loss suffered by flood and not covered by insurance to the extent of the undepreciated value of the dam destroyed. The cost of new construction would be required to be capitalized.

3. *Question:* In a corporation consisting of near relatives, is it wise to declare dividends and pay from cash, thus appreciably reducing working capital of the corporation and causing a sizable surtax to the individual?

Answer: That question can only be answered in generalities. There is a point in closely held corporations where, if consideration is given to the taxable status of an individual, a uniform level of taxation may be determined as between the corporation and an individual stockholder. In each and every instance it is a matter to be determined on the facts.

If there are any pertinent questions along that line, this Committee will appreciate having them submitted and be glad to respond to them, based on the facts in each particular case.

4. *Question:* Is a dividend in preferred stock disbursed to owners of common shares taxable income when received by the common shareholders? The corporation contemplating such disbursement has common shares only at present.

Answer: The dividend referred to in this question would not constitute taxable income when received by the common shareholders, inasmuch as there would be no relative change in the ownership of the company immediately before and immediately after such a stock distribution. This viewpoint appears to be borne out in the recent Supreme Court decision in *Koshland vs. The Commissioner*. In that case, the corporation before issuing a stock dividend had outstanding both common and preferred stock; it paid a dividend to its preferred shareholders consisting of common stock. The Court said that because of the fact that there was actually a change of relative ownership immediately after the issue of the dividend from that existing immediately before, it was a taxable dividend to be measured by its fair market value.

However, a corporation having only common stock outstanding, which undertakes to declare and pay a dividend payable in preferred stock, according to our interpretation of the

recent Supreme Court decision, accomplishes no change in relative ownership and, therefore, it is a true stock dividend, and accordingly, not taxable in the hands of the recipient. In consequence, it cannot serve as a credit to the corporation for the purpose of computing the surtax on undistributed profits. On the other hand, if a corporation had outstanding common and preferred stock and increased its preferred stock by reason of a dividend on the common, then there is a change. In the latter instance, in our opinion, it would be taxable and, therefore, serve as a credit to the corporation for the purpose of computing the surtax on undistributed profits.

The foregoing are all of the questions and answers presented at the annual meeting. The questions which follow are those submitted since that meeting.

1. **Question:** We have an agent in the Argentine to whom we pay commissions for selling our product in that market. The agent does all his business, earns all his money, within the boundaries of Argentina by selling our product as well as that of other American manufacturers. Do we have to deduct 10 per cent. of every commission payment we make to him and pay it over to the Internal Revenue office at the end of the year? If so, when does the next payment come due? Are we liable if we fail to make the deduction and leave the matter to our agent?

Answer: It is assumed that the agent in the Argentine, referred to in the question, is a non-resident alien individual. In the case cited there is no requirement for withholding with respect to the commissions paid because of the fact that the services were performed outside the United States. While Section 143 of the Revenue Act of 1936 requires employers to withhold 10 per cent. of compensation paid to non-resident aliens, it is limited to income from sources within the United States. Section 119 defines what constitutes "income from sources within the United States". Paragraph (a) (3) of that section clearly defines that it only relates to labor or personal services performed in the United States. Furthermore, paragraph (c) (3) specifically defines compensation for labor or personal services performed without the United States as being "income from sources without the United States".

2. **Question:** The Company redeemed its entire remaining outstand-

ing 7% cumulative \$100.00 par value preferred stock, issued in March 1928, on July 2, 1936 by calling it at \$115.00 per share and accrued dividend. The plan of issue on this preferred stock provided that it might be called for final redemption at any dividend date at \$115.00 per share and accrued dividend. 2,145 shares were called, resulting in a total premium of \$32,175.00 being paid to the preferred stockholders. Funds used for this redemption were borrowed on a short-term bank loan which was paid from funds acquired from an additional issue of common stock. May this premium be deducted in determining corporate income for the normal tax? If not, may it be deducted in the determination of income for the computation of the surtax on undistributed profits on the assumption that the premium actually represents a distribution of a portion of the corporation's earnings amongst the preferred stockholders?

Answer: In responding to this question, it has been assumed that the preferred stock was subscribed to and paid for in cash at the rate of \$100.00 per share.

The premium of \$32,175.00 may not be deducted in determining "normal-tax net income." The Commissioner of Internal Revenue, the Board of Tax Appeals and the courts have consistently held that such premiums paid constitute capital transactions and, therefore, are not deductible.

The transaction as given in the question constitutes a "distribution in liquidation," as defined by Section 115 (c) of the Revenue Act of 1936, and the premium of \$32,175.00 constitutes a dividend paid in the determination of the company's "undistributed net income" subject to surtax as provided in Section 27 (f) of the Act. This latter section provides, however, that such a credit is allowable only if the company has earnings accumulated subsequent to February 28, 1913, including those of the current taxable year, remaining undistributed. The credit is not allowable beyond the amount of those earnings if less than the total of \$32,175.00 referred to above.

3. **Question:** Our business year runs from July 1 to June 30, inclusive, and all our records and income tax reports have been made on this basis.

(1) According to the Undistributed Profits Tax of 1936, will our tax under this law be computed on our profits from January 1, 1936

to December 31, 1936, or from July 1, 1936 to December 31, 1936?

- (2) As our fiscal year begins July 1, are the profits of this Company from January 1, 1936 to June 30, 1936, subject to the Undistributed Profits Tax?
- (3) If the answer to Question No. 2 is "Yes," must dividends from these earnings be paid not later than December 31, 1936 to avoid Undistributed Profits Tax?
- (4) Inasmuch as our fiscal year begins July 1, does the Undistributed Profits Tax for 1936 apply only to our 1936 profits from July 1, to December 31, 1936?
- (5) If the answer to Question No. 4 is "Yes," must dividends from these earnings be paid not later than December 31, 1936 to avoid Undistributed Profits Tax?
- (6) Inasmuch as our fiscal year beginning July 1, 1936 does not end until June 30, 1937, can we defer payment of dividends from earnings from July 1 to December 31, 1936 until not later than June 30, 1937 and still avoid tax on Undistributed Profits?

Answer: All six divisions of this question may be covered by one general answer.

Section 1 of the Revenue Act of 1936 reads:

"The provisions of this title shall apply only to taxable years beginning after December 31, 1935. Income, war-profits, and excess-profits taxes for taxable years beginning prior to January 1, 1936 shall not be affected by the provisions of this title, but shall remain subject to the applicable provisions of prior revenue Acts, except as such provisions are modified by legislation enacted subsequent to this Act."

In the instance cited, the first taxable year to which the provisions of the Revenue Act of 1936 apply is the fiscal year commencing July 1, 1936 and ending June 30, 1937. The tax return for the fiscal year ended June 30, 1936, which was returnable on or before September 15, 1936, was required to be filed in accordance with the provisions of the Revenue Act of 1934.

For the purpose of computing the surtax on undistributed profits for the fiscal year ending June 30, 1937, dividends paid credit may be taken for all dividends paid during that fiscal year. Care should be exercised, however, that dividends be paid sufficiently

in advance of June 30, 1937 to insure the receipt thereof by the shareholders within the taxable year ending June 30, 1937, in order that the dividends paid credit may be claimed by the corporation within that fiscal year.

In the instant case, a dividend paid prior to June 30, 1936 and received by the stockholders prior to that date may not be included in the dividend paid credit for the fiscal year ending June 30, 1937.

If in the event a dividend had been declared within the fiscal year ended June 30, 1936 but not paid in sufficient time to reach stockholders until during the fiscal year beginning July 1, 1936, then the corporation, in our opinion, would be entitled to a dividend paid credit therefor.

4. *Question:* Will you please advise us the correct ruling on payment of cash dividends to Canadian stockholders? Do we withhold a percentage; if so, what percentage?

Answer: In the case of a domestic corporation having non-resident alien individual stockholders, the domestic corporation is required to withhold 10 per centum of all dividends payable on and after July 2, 1936 to such non-resident alien individual stockholders. If such stockholders reside in contiguous countries (Canada and Mexico) such withholding may be reduced to not less than 5 per centum by the terms of treaties with those countries. In so far as knowledge is had at this time no such treaty terms are in effect. It therefore appears that withholding at the rate of 10 per centum is required.

Subject to such conditions, limitations, and exceptions and under such regulations as may be prescribed by the Commissioner, with the permission of the Secretary of the Treasury, non-resident alien individuals subject to tax may be exempted from the requirement of filing returns of such tax. Such rules or regulations have not yet been promulgated and issued by the Commissioner of Internal Revenue.

When, as and if non-resident alien individuals have procured exemption from the requirement for filing tax returns as outlined in the preceding paragraph, benefit of the personal exemption of \$1,000.00, and in the case of residents of Canada and Mexico additional credit for dependents at the rate of \$400.00 each, may, in the discretion of the Commissioner and under regulations heretofore prescribed by him, be received by the non-resident alien individuals, by filing claim therefor on Treasury Form 1002 with the

withholding agent. Such claims as are filed with the withholding agent any time after the close of the calendar year but not later than May 1st of the succeeding year should be forwarded by such domestic corporations with a letter of transmittal to the Commissioner of Internal Revenue, Sorting Section, Washington, District of Columbia, where such claims will be examined. A letter containing a list of the exemption certificates covering the claims disallowed and stating the reason for the disallowance will be mailed to the withholding agent. No portion of the tax withheld from non-resident alien individuals may be released on the basis of the exemption certificates (Form 1002) until such letter has been received by the withholding agent indicating the allowance or disallowance of the claims.

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Chairman Fairchild. As I look into your bright young faces and realize that seated before me on the other side of the desk are some several hundred young men, every one of whom has understood every word that has been uttered in the last thirty-five minutes, the feeling of humiliation with which I contemplate my own deficiencies is almost more than I can bear. I noticed that you even knew when to laugh at the jokes. I didn't suppose there could be any jokes in this sort of performance, and I certainly hadn't the foggiest notion where they occurred. Having noted this and realizing that failure to laugh at the professor's jokes is the ultimate mark of the lowest form of a dumbbell, I decided to do better myself, and a moment ago when I heard some mention of a corporation president who received a princely salary though he did nothing for his corporation, I was about to burst forth in loud guffaws, but having the presence of mind to cast my eye about the room first, I saw that this was no joke, and checked myself just in time. (Laughter.) If I ever get out of this room alive, just watch me speed across to the other side of Chapel and College Streets and fill my lungs with some good low-brow air from the academic atmosphere across there to which I have grown accustomed.

I noticed with some comfort, I must say, that one or two of you have flunked in your answers. After this meeting, I propose to ask the Secretary for the key to these questions, in order that I may report to Dean

Hubbard failure in this course upon the part of certain of your number.

Seriously, however, I am fully impressed with the tremendous value of the advice which you have just received from highly competent practitioners in this extraordinarily complicated technical field. You must realize that even better than I do, but even I, with my limited capacity, can see that in this session you have been served with an extraordinarily useful contribution on the part of men highly competent to render it. If you are willing to entrust the message to my unworthy tongue, may I on your behalf express thanks to Messrs. Hope, Hadfield and Petze. I think that you may have the opportunity to hear from them again after a few moments.

There is one matter which one of your members wishes to bring before you at this session, and if Mr. Hellyar of the J. B. Martin Company is here, I will ask him to present that matter. (Mr. Hellyar's remarks are being amplified for presentation in a later issue of CONNECTICUT INDUSTRY—Ed. Note.)

* * * *

Chairman Fairchild. Thank you, Mr. Hellyar.

I don't suppose there is time at this session for any adequate discussion of the interesting and important subject which Mr. Hellyar has presented. We might take just a moment or two if anybody wishes to speak to it now from the floor. If not, I am sure that the officers of the Association will be glad to receive any communications on this point, and if you think that I can be of any help to you as your consulting tax adviser, I will be very glad to meet with any of your representatives to talk this over.

One other matter to come before us this afternoon is a report upon the recently enacted Massachusetts law granting exemption to manufacturing corporations from the personal property tax on their machinery under certain circumstances. Mr. Leland Powers is here, and I am very happy to be able to call upon him to speak to this matter. Mr. Powers!

* * * *

Mr. Leland Powers. Mr. Chairman, I am here speaking for the Associated Industries of Massachusetts, I having been the chairman of its Committee on Taxation. We have passed an Act in Massachusetts this year exempting from local taxation manufacturing machinery. There are similar acts in Pennsylvania and in

New York, and a study of the situation in Massachusetts convinced the manufacturers that relief of that nature was needed in the State. The figures we found were rather astounding. I have no idea what they may be for Connecticut, but in the period of fifteen years following the war, our number of employees had dropped off by forty per cent; the wages had dropped by sixty per cent. The value of our manufactured products had dropped by sixty per cent. The amount of property that had been taken over by the various cities and towns for non-payment of taxes or which could have been taken over had reached a total of over thirty per cent. The amount of property in one district alone where foreclosed mortgages had resulted in the banks' taking over the property had increased from a million and a half to one hundred and fifty million dollars. Those figures were rather astounding to us, and we realized there as you must here that the prosperity and success of the States of Massachusetts and Connecticut are dependent on industry's being in a flourishing condition.

Industry furnishes the opportunity for employment and the payroll gives the opportunity for the mercantile corporations to exist. Because of that situation, the mercantile people took a very broad point of view and joined with manufacturers in advocating a bill to exempt manufacturing machinery from local taxation, although that meant that in connection with that legislation, other tax revenue had to be raised. That tax revenue is being raised by a minimum tax on all property not taxable locally at the rate of five dollars per thousand, collected by the state, and, therefore, covers in our tax on corporate excess both machinery and merchandise, but the result is one of great benefit to the manufacturing corporations for this reason: I don't know that it would apply as strongly in Connecticut as it does in Massachusetts, but our local tax rates are very high. The average for the state is over thirty-four dollars per thousand, as we express it—as you would, thirty-four mills.

Not only is that true, but in the manufacturing communities the rate is even higher.

The effect of the legislation we have passed has been to remove that burden of thirty-eight dollars a thousand in manufacturing machinery and to substitute in its place, as far as the machinery is concerned, a burden of

only five per thousand, and the corporations that are successful will not even feel that, because the tax on corporate excess would be greater than that minimum tax.

Our industries in Massachusetts found especially in the time of depression that it was a terrific burden where mills were operated only partial capacity to have a burden as heavy as thirty-eight dollars a thousand imposed on their machinery, because they are operating machinery which might have been as low as twenty per cent and their total machinery had to carry the burden of all of it.

We welcome this change in our legislation. We believe it is one that is going to encourage industry, and naturally from a selfish point of view, we believe it will give Massachusetts a better competitive position as against states like New York and Pennsylvania which have exempted machinery from local taxation for some time. It is an interesting thing to know that even during the time of improvement some years ago, after this exemption was put in New York and Pennsylvania, there was an increase there of some fifteen per cent in the number of concerns doing business, while at the same time, in Massachusetts there was a falling off of thirty per cent. That is, we have been going down.

This is, of course, only one of a number of things which affect industry, but we feel that for one, at any rate, our Legislature has recognized that industry is essential to the happiness and prosperity of the people, and that something must be done to admit

those who have capital to expend to put it to work in order to give employment which is absolutely necessary.

In some of our cities—take a city, for instance, like Lawrence, which is a textile center; it has been so clear during the past few years that the continuous operation of the mill has meant almost everything to that city, and then compare it with Manchester where the closing of the Amoskeag has caused the town to go the other way.

So while this thing in itself may not be great, it is our opinion a sound advance and one that the manufacturers associations in other states should consider as a benefit to their manufacturers.

* * *

Chairman Fairchild. We are very much indebted to Mr. Powers. I am sorry to have to announce that the hour is so late and we are already so far behind in our schedule that this conference cannot proceed further, and that we shall not have the pleasure, as I hoped we would, of hearing further from our guests from the accountants' committee.

There will follow immediately in this room the next subject, the Robinson-Patman Act, over which Mr. Francis T. Reeves, of the Scovill Manufacturing Company, will preside, and I surrender my position to him now, asking you to accept from me once more the assurance of the honor which I have felt in being privileged once more to preside over one of your sessions. (Applause)

Robinson-Patman Act

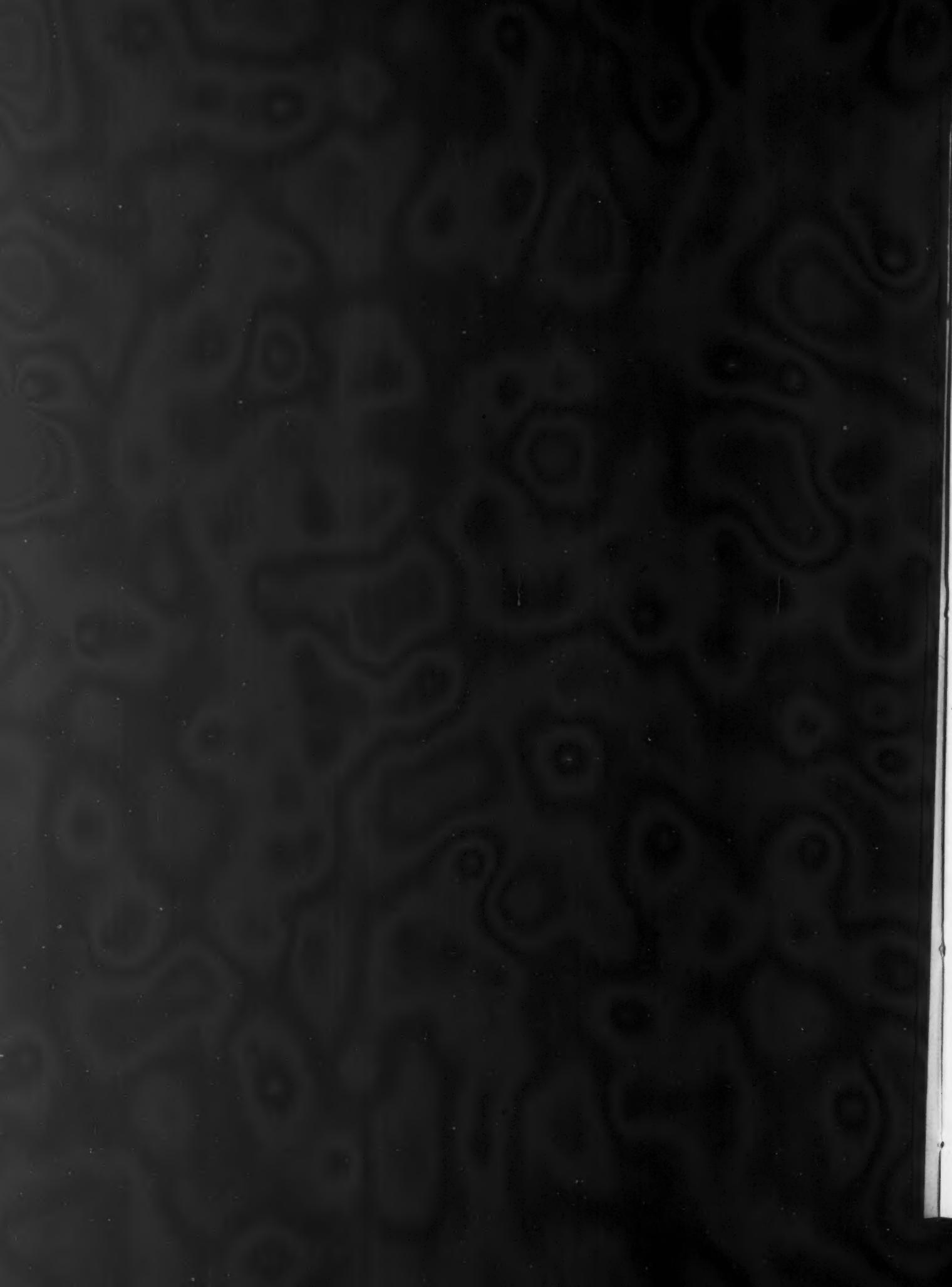
Pres. Hubbard. Gentlemen, we have about reached the limit of the period we can devote to this subject if we are to allow adequate time for the others and still adjourn at a reasonable hour. If any questions remain to be answered, I think the practitioners would be glad to devote some attention to them after the meeting, either orally or in writing.

I want to express our sincere appreciation to Messrs. Hadfield, Hope and Petze, as individuals and through them to the Connecticut Society of Certified Public Accountants. Theirs has indeed been a practical contribution to the solution of a vexing problem. We are grateful, too, to Professor Fairchild for his participation.

Now we shall open under the head

of the Robinson-Patman Act. Here is a law which introduces an entirely new concept of unlawful price differentials, a more summary penalty procedure. Popularly known during its early legislative progress as the "Chain Store Bill", its final scope, as most of you know, is much wider than this popular name implies. In its final form, it is the culmination of legislative efforts begun nearly two years ago to restrict the field of legitimate price differentials. Reference was made to the matter in many communications from the Association office, and the final text was sent to members on June 20. Originating from an inquiry by an investigating committee of the House, and starting its legislative progress with the bill introduced by





PROGRAM

26th
ANNUAL MEETING

MANUFACTURERS ASSOCIATION
OF CONNECTICUT INCORPORATED

HOTEL TAFT - NEW HAVEN
OCTOBER 29, 1936



26th

PROGRAM ANNUAL MEETING

REGISTRATION

TEN-THIRTY A. M.

Registration booths in lobby, outside main ballroom.
Charge \$1.50 including luncheon. All sessions in main
ballroom, Hotel Taft.

Identifying badges distributed at this time, sessions being
open only to members and guests.

BUSINESS SESSION

ELEVEN A. M.

1. Call to Order
2. Report of the President
3. Report of the Treasurer
4. Report of the Nominating Committee
5. Election of Officers
6. Report of the Budget Committee
7. Adjournment of Business Session



LUNCHEON

TWELVE NOON

President E. KENT HUBBARD, Presiding

ADDRESS—THE SPANISH CIVIL WAR—E. M. VAN VOORHEES, Managing Director, General Motors Export Division, lately returned from Spain where he was identified with General Motors Peninsular, S. A. Close observer of internal affairs there, with a vivid description of the actual conflict and a business man's commentary on the economic and political conditions surrounding it.

DISCUSSION CLINICS

TAXATION

ONE-THIRTY P. M.

Presiding, FRED ROGERS FAIRCHILD, Ph.D., Professor of Political Economy, Yale University, Tax Advisor to the Association's Committee on Finance and Taxation. Formerly Secretary, Vice President and President of the National Tax Association. Formerly Vice President of the American Economic Association. Author of numerous publications and addresses on taxation, public finance and general economics. Member of Connecticut Commission on Taxation of Certain Corporations, 1911-1913; chairman of Connecticut Special Tax Commission, 1933-35; director, United States Forest Taxation Inquiry, 1926-1935. Sometime consulting tax advisor to the United States Government, Military Government of Santo Domingo, Republic of Colombia, and Territory of Hawaii.



Question and Answer Clinic

On Revenue Act of 1936, with special emphasis on Undistributed Profits Tax, led by following committee of Connecticut Society, Certified Public Accountants:—
SETH HADFIELD, senior member of the firm of Hadfield, Rothwell, Soule and Coates, accountants, Hartford.

J. WILLIAM HOPE, senior member of the firm of J. William Hope & Company, accountants, Bridgeport; former state treasurer; president, Connecticut Society, Certified Public Accountants.

EDWARD I. PETZE, senior member of Petze & Schuyler, accountants, New Haven; secretary, Connecticut Society of Certified Public Accountants.

An opportunity for Connecticut manufacturers, through the courtesy and cooperation of the recognized organization of public practitioners in this state, to obtain pointed and individualized advice as to how they will be affected by the tax on undistributed earnings and other phases of the new act; and to get pertinent information on which to formulate fiscal and dividend policies for the remainder of the year in contemplation of the return due next March—and all as the combined judgment of a group of experts.

ROBINSON-PATMAN ACT

TWO-FORTY-FIVE P. M.

Presiding, FRANCIS T. REEVES, Secretary and General Counsel, Scovill Manufacturing Company, Waterbury.



Senator Robinson on May 13, 1935, the proposed legislation went through various stages in the Senate and House until June 17, when a Committee on Conference reconciled differences between the several proposals in both chambers. The law became effective immediately upon the President's approval on June 19.

Basically, the new law is an amendment to Section 2 of the Clayton Anti-Trust Act which, we contended, already contained remedies adequate to the need. They prescribed an orderly method of correcting abuses; and, under Section 4, which provided treble damages, aggrieved parties were supposedly afforded adequate redress. Congressman Patman, however, claimed that the Clayton Act was only a "feeble gesture" against price discrimination. He resented its express authorization for quantity discounts without guiding limitations, and he complained because it permitted price adjustments to meet local competition. Criticism was also directed at the enforcement of the Clayton Act, which relied upon the deliberate procedure of the Federal Trade Commission, upon civil suits for injunction and for the recovery of treble damages. The intent of the new legislation corresponds roughly with these criticisms.

What may or may not be done legally under its terms is by no means clear from the text. In the absence of official interpretation, the producer's safest reliance is on opinions of practitioners experienced in the anti-trust laws, who, at the same time, have some familiarity with the mind of the administrative authorities from their unofficial utterances. With this in mind, we set out to procure for this discussion one of the foremost authorities in the country—Felix H. Levy, Esquire, of the New York bar. Mr. Levy has long practiced in the anti-trust field and was at one time a special assistant in the office of the U. S. Attorney General. He appeared before the Association's Board in 1928, when industrialists contemplated amendments to the anti-trust laws looking toward a reasonable degree of cooperation among competitors. He has written extensively on the Robinson-Patman law, and he is already engaged in active practice under it. He brings us, therefore, a specialized knowledge based on a long professional interest in legislative attempts at regulation of business practices.

The presiding officer will be Francis

T. Reeves, Esquire, Secretary and General Counsel of the Scovill Manufacturing Company, Waterbury. Long a member of the New Haven County bar before taking office with the Scovill corporation, he has since devoted careful study to this act and its practical significance to industry. We are fortunate in the presiding officer as well as in the principal speaker. I will now turn the session over to Mr. Reeves.

* * *

Chairman Reeves. Mr. Chairman and Members of the Manufacturers Association: In common with all lawyers who have been called upon to ex-



Francis T. Reeves, secretary and general counsel, Scovill Mfg. Co., Waterbury.

press some opinion as to the proper interpretation of the Robinson-Patman Act, this meeting brings a great deal of interest to me. I am glad to be able to participate even in a minor way in this effort which the Association is making to throw some illumination on the devious byways which the average manufacturer feels his feet are following when he tries to read and understand the Robinson-Patman Act.

The program is much the same as that which you have just enjoyed. Mr. Levy will conduct the discussion over the Robinson-Patman Act. Upon invitation of the Association, any member has been afforded the opportunity of sending in written questions

involving some problem that arises in his mind over this Act, and those questions have been submitted to Mr. Levy, and he is now prepared to answer them. So the program will first involve a discussion by Mr. Levy of the questions which have been propounded to him, followed then by such general discussion of the law as in his estimate he ought to indulge in, and then followed by any question which may be directed to the chair from the floor.

I have only one thing to add about Mr. Levy that has not already been touched upon by Mr. Hubbard, that is in preparation for this session here, Mr. Levy has spent several hours with the Chairman of the Federal Trade Commission at which time unofficially there could be a discussion of many of the problems which were reflected in your questions and which he thought might well arise here, and he comes here equipped not only with the great knowledge he has through his wealth of experience and study of this type of legislation, but with some unofficial authority from the Federal Trade Commission.

It gives me a great deal of pleasure to turn this meeting over to Mr. Felix H. Levy, of New York.

* * *

Mr. Felix H. Levy. Mr. President, Mr. Reeves, and Members of the Manufacturers Association of Connecticut: With the time running along as it is, an hour and half behind the schedule, I was afraid I would find myself in the position of the speaker whose turn was reached at midnight. He said, "I wish to thank the audience for its courtesy and politeness in remaining to hear me speak." The audience got up and said, "You needn't thank me; I am the next speaker." (Laughter.)

I am glad to associate myself with Professor Fairchild's remark that he and I both received commands from your officials at Hartford to omit speeches and to get down to brass tacks.

I availed myself of the presence at this table, of your distinguished Governor, Governor Cross, to ask him just now—having fallen under the influence of his scholarly career, and finding myself in the shadow of classical Yale University—to tell me whether a Latin text which I wished to use for these remarks was correct. I think he had some doubt, so I hesitate to use it, but it really applies: "*Omne ignotum pro magnifico*," which means

that a thing that you do not fully understand, assumes an exaggerated form and may therefore frighten you. Quite seriously, this new Robinson-Patman Law has rather terrifying aspects, until you get to understand it and then your alarm will diminish. My present duty is to try to accomplish this desirable result.

During its passage through Congress, I was in Washington all the time on other business, and watched it closely and had apprehensions like your own, because my standpoint was and is the same as that of every man in this room, because, in plain English, I earn my living as a lawyer by representing people like you. So, I am not here in any critical or partisan sense; but fully sympathetic with you in whatever hardship or difficulty this new law may present. It, therefore, gives me pleasure to say at once you should not feel alarmed by the exaggerated expressions of disapproval which have been current since this law became effective last June. I make bold to say that with the explanation which I will give today, and especially with the questions-period which will follow my remarks, you will find this new law by no means so formidable or terrifying as many public comments would have you believe.

Of course, it is a law of the land and a novel and important one, affecting very intimately your most intimate business policies; and it calls for your careful thought and attention; but when that is done, I beg to assure you, upon the basis of my extended experience, both as a former law-officer of the Federal Government and a life-time professional relationship with this field of the Federal laws—that you need not be unduly concerned.

On account of the lateness of the hour, I am going to be very brief and limit myself as far as possible to the questions which have been handed to me. Before answering these questions, I think it is necessary to give you a brief background of what this law means, and I hope that you will then no longer look upon it as a perplexity, as a thing impossible of understanding or of performance, but as a statute which, of course, isn't like the a, b, c, but which can be mastered by you.

I think for the most part, if you will apply yourselves to a study of it, you will not need a lawyer to tell you what it means. I don't think it is very complicated. I think the only

thing complicated about it is the wisdom or unwisdom of the motive or philosophy that underlay the adoption of that law. Your distinguished President, Mr. Hubbard, pointed that out. He said in its early stages it was frankly called an Anti-Chain Store Bill. That is perfectly correct. Then Mr. Hubbard correctly said that it went further than that. That is right. But in a broad sense that is its purpose and motive, to prevent the further growth of chain stores, mail order houses and department stores, to the detriment, as Congress thought, of the small independent dealer.

It has been said publicly that the exactions and burdens imposed by this law on business-men are greater than

densome than NRA. It just isn't so. Indeed, instead of that pessimistic view, I think it is more wholesome and instructive and comforting to look at this new situation that is going to touch every one of you very closely,—sensibly and squarely in the face, without any partisanship or prejudiced feeling about it, and to try to understand it. I must say a word about the partisan aspect. Don't forget that this is the only subject on earth that hasn't been discussed in this pending Presidential campaign. I have heard everything discussed from China to Peru, in the deluge of words that have been uttered—but not a word about this new law, so there can be no politics in it.

It passed the Senate with only one dissenting vote; it passed the House with only sixteen dissenting votes out of a total membership of four hundred and thirty-five. It is not partisan, in a political sense, in the slightest degree, but there is another thing you have got to bear in mind, that when it passed the two Houses by such a majority—make no mistake, the keen politicians in the two Houses would not have voted that way if they had not known that the wind was blowing that way; and, therefore, I want to say as a result of years of study of this subject that the action of those two Houses was the result of a great popular sentiment; and whether it hurts you or not, you have got to bear in mind that that virtually unanimous vote would never have been accomplished if there had not been a great popular sentiment in favor of it.

I remind you of the famous Capper-Kelly Bill, which slightly resembled this new law because it was aimed at price-cutting. I remember when I spoke before your Association in 1928, that bill was before Congress. Now, so as to eliminate the question of partisan politics, that Bill had as its author Senator Capper of Kansas, and Representative Clyde Kelly of Pennsylvania, both Republicans, which shows there is no political partisanship in this question, but there is a very deep economic question that ought to command the attention of every one of you, and I predict that whereas the Federal Trade Commission has just issued four complaints—there will be a swarm of them, and I hope none of them will hit you; but I should say on the basis of the law of averages, that a few of you are going to get some of those unpleasant communications. Therefore, it is wise to learn in advance, what it is all about.



Felix H. Levy, of the New York Bar

those imposed by NRA. Forget it; it isn't so. I lived through NRA, and it nearly killed me, and I dare say it nearly killed a lot of you, who had to go down to Washington and run around those corridors, and if I had been younger, I would have bought a pair of roller skates to get around quicker. It was a harassing and harrowing experience. Never mind the politics about it, it was an impossible undertaking, impossible of execution and performance, and if the Supreme Court had not rightly declared it unconstitutional, it would soon have fallen to pieces of its own weight.

It has been publicly asserted, as I have said, that this law is more bur-

In substance, the purpose of this new Robinson-Patman Law was to amend the Clayton Law. The Clayton Law forbade discriminations in price for like grade, quality and quantity, with the idea of treating everybody alike. In substance, its purpose was stated to be the prevention of discrimination in business, whereby, as was claimed, large organizations such as chain stores, mail order houses and department stores, received discriminatory benefits which were not accorded to smaller merchants. Let me emphasize, that this is the heart of this new law.

It was asserted in Congress that the result of this favored treatment of larger organizations has been a constant and large increase in the number and the national scope of these larger organizations with consequent decrease in the numbers and in the financial strength, and even of the solvency of the much larger number of smaller merchants.

Now, that this problem was not new, namely, whether it is better that the business of this country shall continually get more and more into the hands of large, highly efficient organizations—nobody disputes their efficiency—to the constant shrinking of the smaller merchant, the little corner grocer and the like, to show you that that is not a new question, let me say that as long ago as 1896 in his annual message to Congress, President Grover Cleveland used these words that I think you ought to think about. Speaking upon the subject of huge aggregations of capital, he then voiced prophetically forty years ago, precisely those arguments which are the basis of the Robinson-Patman Law.

He said:—

"Through them the farmer, the artisan and the small trader is in danger of dislodgment from the proud position of being his own master, watchful of all that touches his country's prosperity in which he has an individual lot, and interested in all that affects the advantages of business of which he is a factor, to be relegated to the level of a mere appurtenance to a great machine, with little free will, with no duty but that of passive obedience, and with little hope or opportunity of rising in the scale of responsible and helpful citizenship. Whatever may be their economic advantages, which nobody disputes," President Cleveland said, "their general effect upon personal character,

prospects and usefulness cannot be otherwise than injurious."

Now, gentlemen, that presents a serious question. This is not the occasion for me to answer it; but it ought to command the attention of every one of you, I should say, with respect to your definite business policies. You can answer it yes or you can answer it no, that is not for me to say. Your judgment will tell you what to answer, or your self-interest, but Congress answered it, by enacting the Robinson-Patman Law; and when Congress did so answer it, it is not open to dispute, that it did so by virtue of an overwhelming public sentiment back of it or they never would have done it. Congress does not usually put forward a bill that the majority of the people back home, do not like.

I will briefly go over some figures that I used before your Association in 1928. I then presented authentic figures taken from the United States Internal Revenue Bureau, showing that in 1925, a major year in our so-called prosperity, 40 per cent of the net profits of all of the 430,000 corporations in the United States, were earned by only 196 corporations, and that 65 per cent of the \$7,600,000,000 of the total profits of all of the business of the United States was earned by scarcely more than one-quarter of one per cent, of all the corporations in the United States.

I am not saying yes or no to that; I am telling you those are the facts that Congress had before it.

I would adjure you not to let your minds get perplexed by some of the errors of expression contained in this law; but to think of the philosophy and purpose under it, in guiding your own policies at your own desks.

As further showing the basis of this law, I will read briefly from the report of the Commission in 1934. The Commission said:

"With reference to the development of chain stores, a study by the Federal Trade Commission shows that there are three national grocery chains which operate nearly 25,000 retail stores, and do an annual business of \$1,600,000,000. One of these chains operated more than 15,000 stores, with total sales of more than \$1,000,000,000. The Commission found that the ability of the chains to buy more cheaply than the independents was a substantial, if not the chief factor in the lower selling prices which account so largely for the growth of chains."

In a recent speech, the distinguished Chairman of the Commission, Hon. Charles H. March, used those figures, and said, "Congress had those facts before it when it passed the Robinson-Patman Law." He then quoted from the report of the Bureau of Census for 1930, with figures of such magnitude that they seem incredible.

I will quote. "There were 7,061" (and after this I am going to leave out the end numbers) "chain store organizations operating 160,000 stores, or about 10 per cent of all the retail stores in the country. Sales of these chains aggregated \$10,700,000,000 or 25 per cent of the total retail sales," and then presented additional astonishing figures that present time-limits preclude my reading to you now.

Let me say as a prelude to the detailed explanation of this law, that a useful general guide for every one of you in any practical question that comes before you is this: In view of certain admittedly confusing provisions of this law, and in the effort to suggest certain general principles for guidance in its observance, it seems proper to say that no company which is confronted with questions of immediate change of policy to conform with the new law ought to act precipitately or until authoritative opinions are expressed by official sources upon the basis of actual cases decided by the Commission or the Courts. This advice is subject to the important qualification that if any such company is conscious of the fact that its present policy includes practices of a distinctly discriminatory or oppressive character, then immediate attention should be given to a study of the same with advice of their competent counsel, with a view to prompt correction.

I say these things not merely upon the basis of ethical principle, but as a practical and workable guide.

In the main and pending a clearing up of the present more or less confused situation, a safeguard ought to be an honest and sincere study of any existing problems so as to determine whether as a matter of sound good sense any policy under consideration does in true substance and fact amount to an injurious discrimination not supported by sound business principles and business morality, and I believe that you need not trouble yourselves further if you can honestly answer that question "No"; and then go ahead with your business.

Questions and Answers at the Robinson-Patman Clinic

1. **Question:** The manufacturer of a small article which can be made only to order furnishes stationers with specimens and order blanks. A few large stationers, who were instrumental in pushing the article originally, and who are now each doing a large business, receive a trade discount of 50%. All other distributors receive 40%, but may reach the maximum discount by means of a graduated bonus based on annual purchases. There is no question of a price differential acting against the smaller purchaser, because the article is sold at a fixed retail price nationally. Moreover, it cannot be carried in stock, so the stationer is really acting as agent for the manufacturer, and his discount can be considered a commission, although the agent actually purchases the merchandise. Can that procedure be continued legally?

Answer: In the first place, the statement that a few large stationers "were instrumental in pushing the article originally," has no bearing whatever. The requirements of the Robinson-Patman Act cannot be modified or in any way governed by any such consideration, for it involves a recognition by a manufacturer of past benefits received from certain customers, but this circumstance can have no place in the determination of the question whether unlawful discriminations are made by a manufacturer among his different customers. They must be treated impartially in accordance with this law, irrespective of any past favors, services, obligations or the like.

It is evident that this question does not raise the matter of *quantity discounts*, because the trade discount therein mentioned seems to apply to *single purchases*.

In this aspect, if a trade discount of 50% is given to some stationers only because they are "large stationers," and a discount of 40% is given to smaller stationers, with the only qualification that the latter "may reach the maximum discount by means of a graduated bonus based on annual purchases,"—then it would appear that a price-discrimination exists which is declared unlawful by the Robinson-Patman Act.

The fact stated in the question that no price differential can result as against the smaller purchaser, "because the article is sold at a fixed retail price nationally," does not change the situation. This is true notwithstanding the fact that both the large and the small purchaser obtain the same resale prices, for the reason that the small purchaser is denied the same profit as the large purchaser, thereby creating a forbidden discrimination.

This answer is also not affected by the further statement in the question that this merchandise "cannot be carried in stock, so that the stationer is really acting as agent for the manufacturer, and his discount can be considered a commission, although the agent actually purchases the merchandise,"—for the reason that the large stationer is *not* acting as the agent for the manufacturer and his discount cannot therefore be considered to be a commission—all this for the good and sufficient reason that, as stated, such stationer *actually purchases the merchandise*, so that he *cannot* be an agent.

The only practical procedure which seems available to this inquirer whereby he might safely continue these varying discounts, is the adoption by him of a declared policy whereby stationers contract in advance for a definite quantity, and are then given a stated discount with respect to such quantity. In that case, if such discount is given impartially to all customers who enter into such contracts, then no discrimination would seem to exist.

2. **Question:** How does the Act affect a manufacturer selling most of his merchandise through retailers, but who also accepts orders from individuals in outlying places where he has no direct representation, sales being made at the advertised retail price?

Answer: The answer to that is, it does not affect him at all.

3. **Question:** A manufacturer in the past has paid for occasional advertisements in dealers' catalogues. Must he discontinue his advertising in these media entirely, unless he agrees to extend advertising to every distributor issuing a catalogue?

Answer: The answer is, that to such of his other customers or distributors as are not competitors in that same field with the distributor in whose catalogue he does advertise, this law does not apply. If a manufacturer pays for an insert in the catalogue of his New Haven customer, a man in San Francisco has no right to ask for that,

for they are not competitors; but as to customers within the New Haven territory, using that as an illustration, I would say you have got to watch your step a little bit, but if you are acting in good faith, there is no harm. If you go to one of the stores and say, "If you are publishing an advertisement next week and you can advertise my goods, let me know what it costs you, and I will pay you back for it," I don't believe anybody is going to bother with it. If the other store would come along and say, "You put your advertisement in there, so put it in mine," you should say, "The first time you have an advertisement containing my goods, I will pay you for it." In other words, there is nothing very serious about that. It is very serious with relation to very large manufacturers and all those large national organizations that spread out all over the country, but the answer to this question is that that manufacturer needn't bother much.

4. **Question:** In a certain industry in the metal line, it has been the custom for over 50 years to sell at two different lists: one to dealers and one to jobbers, jobbers being classified as houses which carry a stock, send out travelling men and sell to dealers. For instance, on one branded model, they sell to the jobbers at 83¢ per unit, the jobbers in turn sell to the dealers at \$1.02 and the retail price is \$1.50. Some of these jobbers, in addition to sending out travelling men and selling to other dealers, also operate one or more retail stores. They sell the article retail at the same price as the regular dealer; but having bought the article at a lower price and being in direct competition with the dealer, I am wondering if this would not be considered a violation of the law on the manufacturer's part in selling these jobbers at a lower price for their retail requirements than they sell the competing dealer; and also if it would not be a violation of the law on the part of the jobber in buying this article at a lower price for sale in his retail store when that retail store is in direct competition with the dealer?

Answer: The answer is "yes" to both parts of the question; it is a violation of the law. While a jobber is entitled to a larger discount than a dealer, it is only when he is a jobber. If in another branch of his business he is a retailer, in his retail branch then he cannot get any advantage over another retailer. That presents difficulties of actual execution, but I

don't think it is serious. I have heard discussion in Washington as to "How can a manufacturer work out what part of his goods is going to his customer's wholesale department and what part retail?" I do not think that able Connecticut manufacturers have to be taught that kind of easy thing. That is another example of what makes me believe, with deference to Mr. Hubbard's proper remarks about many bad features of this law, that fuller knowledge of it ought to be reassuring.

5. **Question:** It has been the custom of that same industry for many years to sell large mail order houses and large chains, because of their large purchases, at the same price as they sell to jobbers. The mail order houses sell directly to consumers and some of them also operate retail stores. The chain retail stores and mail order houses are in direct competition with regular retailers and yet the industry sells to the latter at a higher price than they charge the mail order houses and chains. Wouldn't this be considered a violation of the law on the part of the mail order and chain houses as well as a violation of the law on the part of the producer?

Answer: Yes, with this qualification, that if the merchandise sold to the chain store or the mail order house is of a large quantity—larger than the retailer is buying—a quantity discount can be granted to the mail order house and chain store, but the quantity discount must not exceed the actual savings effected by reason of its being a quantity delivery, provided, also, that the same quantity discount is offered and paid to all other customers. To the second branch of this question, the answer is yes. Where the law is violated by the manufacturer, the customer is violating it, too, because, as I have stated, under this new law the buyer is made equally guilty with the seller, provided the buyer accepts the discrimination, *knowingly*. The law had to put in the word "knowingly," but I scarcely believe a buyer who received a discriminating discount would be in any doubt about it; he would know he was getting it, because it is almost always the result of personal negotiation.

6. **Question:** Section 3 of the Act states in part, "It shall be unlawful for any person engaged in commerce to * * * sell or contract to sell goods in any part of the United States at prices lower than those exacted by

said persons elsewhere in the United States for the purpose of destroying competition or eliminating a competitor in such part of the United States." Would a manufacturer be violating the law by continuing "a practice which contemplates making an allowance on the invoice for the full amount of the freight charges to destination regardless of whether the amount of the freight charges involved should be 25¢ per hundred pounds or \$2.00 per hundred pounds?

Answer: The answer is that such a uniform system of f. o. b. delivery point, as is indicated in this question, is lawful except under very unusual circumstances. For example, if by paying the freight from New Haven to Pittsburgh, the freight is \$2.00, say, and then to another town it is only \$1.00, but the customers in those two towns are competing with each other, then the answer would not be so certain; but this question does not appear to contemplate that situation. Generally speaking, a uniform system of f. o. b. at point of destination is lawful.

7. **Question:** In some of the larger cities, a machine tool manufacturer appoints one of the leading mill supply houses as his representative in that city. They pay for and carry a representative stock of his merchandise, which is billed to them at a discount of 20%. Other dealers in that territory who occasionally obtain orders for his material are invoiced at a discount of 15% and the five points differential between these discounts is credited to the account of the dealer who is the local representative. The above-mentioned dealers to whom the manufacturer bills at 15% do not carry a stock of his merchandise, and undoubtedly many of the sales which they make are due, in part at least, to the effort the representative dealer has made to introduce the line in that particular territory. In territories where the manufacturer has no representative dealer, his discount is 20%. Under the Robinson-Patman Act, can the manufacturer continue to have a price differential based on whether or not a dealer carries a stock of his merchandise?

Answer: This question evidently does not involve the subject of *quantity discounts*. It evidently involves the question of whether, under this new law, differentials are permissible as between customers who carry stocks and act as the manufacturer's representatives—as against customers who

do not carry stocks and do not act as the manufacturer's representatives.

Under these circumstances, the answer to the question is yes.

8. **Question:** Is a differential on a private brand of cheaper design and construction, when offered to a selected group, a violation of the Robinson-Patman Act?

Answer: The answer is "no," if it is offered on like terms to the whole group and to similar groups.

9. **Question:** In selling specially made goods in the same general line, must all customers be given the same credit terms and the same delivery terms, or would it be permitted to make these terms to fit conditions competitive and otherwise?

Answer: The answer to the first part of this question is "yes." If a different credit term is given to a customer of doubtful credit standing, that is lawful; and if you did not give a man of very doubtful solvency any credit at all, that would be lawful.

10. **Question:** In one industry it has been the practice to quote small retailers a discount of 50% and jobbers a discount of 60%. Nearly all of these so-called jobbers are also retailers and can therefore undersell the small retailers. The manufacturer believes this selling policy is decidedly unfair to the small retailer. Is there anything in the law to correct this, and in order to correct it, would it be necessary to sell to the small retailers at the same discount quoted the jobber-retailer?

Answer: The answer is "yes" as to sales made to jobbers for their retail departments.

11. **Question:** A corporation has had advertising contracts with chain stores. Must it cancel these contracts, or make the same contract with every one, even though others cannot render the service?

Answer: I say no, he must not, provided the payments that he is making are bona fide and honest, that is, a payment of the true value of that which he is receiving.

12. **Question:** Where the law requires price differentials to be justified on the basis of bona fide differences in the cost of manufacturers' sale or delivery, does it mean that there must be a uniform accounting system for the entire industry?

Answer: Decidedly no. Why uniform for the entire industry? He ought to see to it that his accounting system

is correct and will tell him what the facts are. This does not call for a uniform accounting system for the entire industry.

13. *Question:* Can a producer, whose regular outlet is through retailers, quote a different price to wholesalers and ultimate consumers in order to protect functional service?

Answer: Yes.

14. *Question:* We have a contract with a large distributor which has three months to run and in which we provide for a discount perhaps three per cent more liberal than that to the general trade. What is our position before the law?

Answer: I dare say this means a contract made before this law went into effect. The answer is that the fact that the contract was made before the law went into effect, doesn't protect that contract. This law applies to all situations existing at and after the time when the law went into effect.

15. *Question:* Would the Federal Trade Commission have power under this Act to obtain access to my records?

Answer: Unquestionably yes, except under Section 3, the criminal section — the Borah section — which makes the violation of that section a crime. Now, when a crime is asserted, the Constitution gives a citizen the right to refuse to answer. He cannot be made to incriminate himself. Therefore, the formal answer to that question is that you would have a right to refuse to show your records; but if you are guilty, look out, for the authorities are likely to get the facts elsewhere, and they will lay it against you that you tried to withhold them.

16. *Question:* Can we sell to different customers in different cities, who are not in competition with each other, at different prices?

Answer: Obviously yes, for there can be no discrimination among customers who are not competitors with each other.

17. *Question:* The Act allows an alleged violator to set up as a defense that he made a certain price in order to meet competition. Would this fact, if proven, constitute a complete whitewash?

Answer: The answer is "yes".

18. *Question:* To what extent, if any, do the provisions of the Robinson-Patman Act apply to business done in the Philippine Islands?

Answer: The Act expressly applies to all the Insular Possessions of the United States; therefore, it unquestionably applies to Puerto Rico, the Virgin Islands and Hawaii, but there was a law passed a few months ago giving the Philippines their independence, to become effective ten years from now. Therefore, frankly, I am in doubt. This question came in only yesterday, and I did not have time to look up that new law about the Philippines, but the Act itself says it applies to sales within the United States or any Insular Possessions or other place under the jurisdiction of the United States.

19. *Question:* A manufacturer has a price schedule for individual retail dealers. Under the Robinson-Patman Price Discrimination Act, are these dealers entitled to, and can they demand, the same prices accorded to a large chain management who lists and buys large quantities of merchandise to be shipped direct to the individual stores, assuming that these drop shipments in both cases are approximately the same quantity?

Answer: In general, yes; if he is buying the same quantity as the chain store, he is entitled to the same discount.

20. *Question:* The Robinson-Patman Act contains a criminal section. Can a firm, therefore, be compelled to open its books to inspection by the Federal Trade Commission and in that way be compelled to give testimony against itself in violation of constitutional rights?

Answer: I have answered that in so far as he can properly assert that this charge against him may result in his being convicted of a crime, he has a perfect right to refuse to open his mouth or give a particle of information, but for the reasons I gave just a moment ago, in the great majority of cases I would think, as a lawyer, it would be inadvisable to refuse. If he is innocent, he ought by all means to do it, for it cannot hurt him to do so. If he is guilty, the officials are likely to get it anyhow. The powers of the Federal Grand Jury are very great in obtaining information.

21. *Question:* Suppose I have a price on a brand of fertilizer of \$30 per ton, and one of my competitors comes to one of my customers and offers the same material at \$29 a ton, but their schedule is the same as ours—they have simply cut the price on the schedule a dollar a ton. I immediately say I will meet this competition, but my cus-

tomer says, "They have made me a lower price, and at even prices I will not give you the business." Under such circumstances, have I the right to cut my schedule prices from \$30 to \$28.75 in order to get this business?

Answer: The answer is "yes", because it is a lower price made in good faith to meet competition. Those words are quoted from the statute.

22. *Question:* Can a corporation making a mechanical accessory sell to other manufacturers or to jobbers, distributors, retailers, or repairmen and consumers in equal quantity at different rates of discount? For instance, a manufacturer may buy a thousand units of these devices of various kinds during the year, but at times only one of a certain size. For this one, he receives a regular quantity discount. The distributor uses many during the season, but generally buys singly, but as he is qualified to render certain service and is expected to represent the manufacturer, he receives a higher rate of discount than the wholesaler, retailer, or repairer, who usually order in single lots. The consumer gets no discount. Is this practice contrary to law?

Answer: The perfectly safe answer to that is that different grades of discount can be allowed to different functional customers. The wholesaler is entitled to a discount bigger than the retailer's; but there must be uniformity within each class. The discount given in any class, even though uniform, must not be greater than the saving effected. Generally speaking, a quantity discount cannot be given for a single unit purchase.

23. *Question:* In answer to the question of the stationer who placed a large order and was entitled to a 50% discount, as against small orders that were received from other stationers who got only a 40% discount, wouldn't the answer depend upon whether the large stationer to whom was granted the 50% discount took delivery in quantities of equivalent size to the small dealer, unless the large dealer gave a contract which enabled the manufacturer to make savings in manufacturing the material for the large dealer?

Answer: This answer conforms to the answer made to Question No. 1 at the meeting, where I pointed out that in the example then submitted, a large stationer would not be entitled to the stated discount of 50%, unless it were a quantity discount which reflected, and did not exceed, the savings effectuated by the manufacturer as the

result of a quantity delivery. If under Question No. 1, the manufacturer gave the 50% discount to the large stationer, for single and separate deliveries which were not based upon a prior contract calling for quantity deliveries, even though made separately in single deliveries, then no quantity discount would be justified at all.

The present question fully illustrates this point, and therefore justifies the affirmative answer here given. Moreover, the elucidation furnished by the present question enables this answer to be deemed to be a supplement to the answer which I gave at the meeting, to Question No. 1.

24. *Question:* Suppose a manufacturer is getting inadequate jobber treatment in a certain locality, consisting mainly of an aggressive pushing by this jobber of competitor's merchandise. The manufacturer, in order to overcome this handicap, selects certain key retailers in the area and gives them prices which approximate those given to the jobbing trade. Is it contrary to the law?

Answer: It is not. A manufacturer receiving inadequate jobber treatment, as stated in the question, would have the right to refuse to deal further with such jobber, but if he continued to deal with him, he would have to give him the same discounts that he gives to other jobbers for like quantities.

Such manufacturer has the undoubted right to select certain key retailers in the same area, and to give them the same prices which he gives to the jobbing trade. The principal question which has arisen with regard to different prices to jobbers and to retailers, relates to the right of a manufacturer to give a *lower* price to jobbers than to retailers, because of their functional differences of operation. I have no doubt that a manufacturer has the right to give a lower price to jobbers than to retailers, provided, of course, that the prices to jobbers are uniform and that the prices to retailers are uniform. The present question is whether the manufacturer can give to retailers the same or approximately the same prices which he gives to jobbers. Although, as stated, a manufacturer can give a lower price to jobbers than to retailers, this law does not prevent a manufacturer from giving the same price to retailers as to jobbers.

25. *Question:* Is it possible under the terms of the Robinson-Patman Act for manufacturers to allow dis-

tributors so-called functional discounts from the manufacturers' regular consumers' price schedule?

Answer: Yes. This question has been more fully developed in the answer to Question No. 24.

26. *Question:* We have been jobbers in one field for several generations. A company from which we have been purchasing a certain commodity for at least seventy years, and which has been giving us the trade discount, writes that it is unable to give us the trade discount any longer, because its attorney says that all purchasers must be sold at the consumers' price, trade discounts being illegal. We resell this commodity to dealers.

1. In your opinion is the trade or functional discount prohibited by the Act?
2. If the discount is not illegal, is there any way in which recognized jobbers can legally force sellers to give them the trade discount?
3. Will you kindly cite authorities substantiating your views?

Answer: The attorney's statement "that all purchasers must be sold at the consumer's price, trade discounts being illegal" is incorrect, for the following reasons: (a) The Robinson-Patman Law has the broad purpose of preventing price discrimination among *competitors*. There is no basis whatever for the contention that all purchasers must be sold at the consumer's price, because purchasers who are jobbers are not in competition with retailers, nor with consumers; nor are retailers in competition with consumers. Consequently, lower prices may be given to jobbers than to retailers; and to retailers than to consumers, *provided* that where such lower prices are the result of quantity discounts, such discounts must not exceed the savings effectuated by the seller as result of such quantity deliveries. There is no basis whatever for the statement that trade discounts are illegal. The only requirement of this new law as to trade or quantity discounts is as above stated.

Answering the sub-questions under No. 26: (1) No, for the reasons above stated. (2) No. While this law requires sellers to give the same discounts to all customers within the same class, it does not require the seller to give any discount at all provided he withholds it from all customers within the same class. The only way that jobbers "can legally force sellers" to give them trade discounts is where the seller is giving such discount to

other jobbers. In that case, the jobbers who are denied such discount can make complaint to the Federal Trade Commission for proceedings against the seller, or can sue such seller for treble damages. (3) If "authorities" means citations of court decisions, this would be not only difficult for me to do, but would probably be of no practical value to this inquirer. Apart from such court decisions, the reasons given above ought to suffice; but if not, further inquiry should be made.

27. *Question:* If company "A," which manufactures engine generator sets, sells to company "B," a textile manufacturer, an engine generator set for their power plant, for \$10,000, and a duplicate engine generator set is sold by company "A" to company "C," which manufactures, we will say, cans, for \$9,500, is this a violation of the Robinson-Patman Act, assuming that the companies are located where there is the same freight rate, and both companies have the same credit rating?

As a further assumption, suppose that plant "C" was a textile mill manufacturing similar products to plant "B."

In the above, of course, "A" is the manufacturer of engine generator sets, and what is furnished plants "B" and "C" is not a product that goes into what they may manufacture, but is a capital investment for the generation of power in their respective plants.

Answer: Answer to paragraph 1 is "no," for the reason that in a very broad sense and with exceptions of such a minor nature as to be negligible, the Robinson-Patman Law does not apply to sales made to ultimate consumers or users. Answer to paragraph 2 is "no," but as plant "C" and plant "B" are engaged in the same line of business, it is conceivable that some technical objection might be made by "B" if it could be shown that the lower price given to "C" may result in a substantial lessening of competition, or in the substantial injury, destruction or prevention of competition with respect to "B." This statement is based on language contained in Section 2(a) of this new law, and is here mentioned only in the interest of full precaution, and perhaps as justifying a closer study of the situation upon which this part of the question is based. For example, if this discrepancy in price to "B" and "C" is very large and is done on purpose to put "B" at a disadvantage

in its competition with "C"—a scarcely supposable situation—then it is possible that "B" might have a just grievance under this law both against "A" and against "C," but as to "C," only if he *knowingly* participated in such discrimination and the purpose thereof.

Answer to paragraph 3. This was duly considered in the foregoing.

28. *Question:* The embalming supply industry caters to around 25,000 funeral directors, but probably 10,000 of these are nothing more than church sextons or funeral brokers. Of the remaining, 10,000, by reason of location or peculiar economic conditions, handle less than 25 funerals a year. So, probably not more than 5000 out of the 25,000 would be in financial position to contract for any sizeable quantity of embalming fluid. Of course, there must be funeral directors in every town and the cost of contracting them is very high. By reason of the great expense, calls are infrequent, and it is necessary then to sell a customer his needs covering a period of time. Even then the cost of making a trip is often so prohibitive that we still would lose money on a case of fluid.

To induce the trade to anticipate requirements, we have arranged progressive discounts where a customer contracts for a certain number of units, say 6, 10, 15, 25 or, in a very few instances, 50 cases of fluid. The latter two groups, however, are rare—probably not more than 500 in the United States. We have a hundred competitors, and 90% of them are offering fluid at one half of our price. There is a considerable difference between our single-case price and our 50-case price, but even the fifty-case price should not reflect itself in the cost of a funeral by more than perhaps a dollar. We would ask, therefore, whether this pricing system, as illustrated more fully in the enclosed list, constitutes a violation of the Act, having in mind that it has been employed for more than a third of a century and is customary in our trade. The difference, as we have pointed out, comes solely through economic savings of salesmen's time, in being able to contact the funeral director.

Answer: This question obviously presents an unusual situation, but nevertheless is capable of complete answer. The answer to the question whether this system constitutes a violation of this law, is "no", provided that the progressive discounts for

quantities do not exceed the savings effectuated by the manufacturer by reason of such quantity deliveries. This question presents another important point, namely, the statement that this manufacturer has 100 competitors, and 90% of them are offering this commodity at one-half of the price of this manufacturer. This new law expressly provides that a seller who is under prosecution by the Commission may make a valid defense "by showing that his lower price * * * to any purchasers was made in good faith to meet an equally low price of a competitor". This provision does not alter the necessity of the quantity discounts' not exceeding the savings effectuated as above stated; but it may have an important bearing in the formulation of a new policy whereby lower prices may be established in particular areas, to meet, in good faith, the lower price of a competitor.

29. *Question:* If the manufacturer enters into a contract to supply a funeral director 10, 15 or 25 cases of embalming fluid, it may take a funeral director six to 18 months to use up that quantity. Now a competitor cannot do business with our customer until the contract with us is completed. However, we often have two or three contracts running, which may lengthen the time in which the number of units are actually taken out. Sometimes a customer elects not to take out the amount of fluid contracted for and then we bill him back on the basis of actual quantity taken out. For illustration, if he contracts for 25 cases of fluid, yet in reality he takes only 5 cases on his contract, we adjust the price on the 5 cases of fluid to conform to the 5-case rate. We think that our method of adjusting a price to the quantity actually taken in case the contract isn't fulfilled by the customer is reasonable, but does it involve the *Patman-Robinson act*?

Answer: It does not constitute a violation of this law; but the quantity discounts must not exceed the savings effectuated by the manufacturer by reason of such quantity deliveries.

30. *Question:* A manufacturer institutes quantity discounts which he can justify under the *Patman Bill*. He knows of a retailer to whom he is justified in quoting the 1,000-ton quantity discount. Other manufacturers have established the same discount and also quote this retailer on the same basis. The retailer decides to split his business between two or three manufacturers, so that each manufacturer

will sell him a fraction of his entire purchases, although his entire purchases do entitle him to the 1,000-ton quantity discount. Is each manufacturer justified in filling his share of this retailer's business at the 1,000-ton price? In other words, can a quantity discount buyer spread his business around among various manufacturers of a product and obtain the same discount as though he purchased all his requirements from one manufacturer?

Answer: No. The retailer is entitled to a quantity discount only with respect to the actual quantity purchased by him from each individual manufacturer. Accordingly, if this retailer spreads his business among two or three manufacturers so that, for example, one of them supplies 500 tons, the other 300 tons, and the third 200 tons, then the retailer is entitled to receive from the first manufacturer the latter's customary discount on 500 tons; and similarly as to the two other manufacturers.

31. *Question:* If the answer to Question 30 is "No", and a 1,000-ton dealer places his order with manufacturer A, manufacturer B could go in and quote a lower price to meet this competition, providing he could not get the business at the same price. This would result in the dealer's cancelling his order with manufacturer A and buying from manufacturer B. Would it then be necessary for manufacturer B to establish this new quantity price to all dealer buyers of similar quantities in that section, and since this 1,000-ton quantity discount was originally based on savings in cost of manufacture and cost of delivery, must it now be justified by the manufacturer's cost or does the fact that it originated because of competition make it unnecessary to so justify it?

Answer: The answer to Question 30 being "No", it follows that the answer to Question 31 is that manufacturer B would have to give this new quantity price to all dealer buyers of similar quantities in that section, and that such discount must not exceed the saving effectuated by such quantity delivery. The fact that it originated because of competition does not change the requirement of this law that quantity discounts must not exceed the savings effectuated by reason of quantity deliveries.

32. *Question:* A manufacturer sells his product to both consumers and retailers and sells it on a delivered basis. He has legitimately established quantity discounts to big buyers. The manu-

facturer's business is highly seasonal and the large dealer buyers will not stock up with their normal requirements, first because many of them do not have the storage space and secondly because they do not want to carry over goods at the end of the buying season. Therefore, toward the end of the buying season the manufacturer must service them by delivering truck-load quantities as against carload quantities the first of the season. Since the manufacturer's price was originally a delivered price, can he service the dealer with any amount, regardless of the cost of such service, without extra compensation?

Answer: Yes, provided he acts similarly with respect to all of such big buyers.

33. *Question:* The manufacturer is accustomed to consign goods to retailers. In some instances the retailer may carry these goods for two or three months and then sell them, allowing his customer the maximum cash discount at the time of sale, and he in turn taking the maximum discount with the manufacturer when he forwards the proceeds from the sale. It has been argued that such a consignment dealer should not be entitled to the same discount as a dealer who buys the goods outright and pays for them at the time of delivery because the consignment dealer has had the advantage of having the goods in stock without being obliged to pay for them until they are sold. In other words, the manufacturer has been rendering him a service which he does not render the dealer who buys the goods outright. On the other hand, it has been argued that the consignment dealer has furnished free storage to the manufacturer. Should any differential be made in cash discount for these two situations?

Answer: The principal element involved in this situation is that where a manufacturer consigns goods to retailers, thereby giving to such retailers the advantage of having the goods in stock without being obliged to pay for them until they are sold, he must not discriminate among retailers within competitive sections by granting to some retailers this advantage of consignment and withholding it from other competing retailers. In other words, where a consignment policy exists, it must be accorded to all competing customers alike.

34. *Question:* Can a manufacturer sell to a strictly wholesale dealer at a price considerably lower than the price

for which he would sell similar goods to the general run of local and department stores? It seems to us that strictly wholesale dealers do not compete with local dealers, but with each other, and, therefore, so long as a manufacturer's price is the same to all wholesale dealers, there is no discrimination to the disadvantage of any one in the interest of the law. Otherwise, it seems to us that a strictly wholesaler's basis on which to do business is withdrawn, as his function is to distribute to the small dealers.

Answer: Perfectly right; he can give that different discount, provided that quantity-discounts to wholesalers must not exceed the saving effectuated by the manufacturer by reason of the quantity-delivery.

* * *

Chairman Reeves. It is obvious that the meeting doesn't intend to ask many questions of Mr. Levy. Mr. Hubbard has assured me if any member of the Association wishes to secure more information, if the question is forwarded to the office in Hartford, it will be handed on to Mr. Levy for reply.

I have here a group of pamphlets in which is set forth the legal opinion on the Act, giving the text of the Act, the legal opinion being by Mr. Levy, and the brochure published by "Hardware Age".

We are going to conclude this discussion, and I am going to express to Mr. Levy on your behalf our sincere thanks for his very kind effort on our behalf.

* * *

Pres. Hubbard. Gentlemen, we have used up the allotted time for this discussion, much as we dislike to put an end to it. We have been privileged to sit with eminent counsel and I for one am gratified at the way in which your problems have been anticipated. If our limited schedule has headed off any questions, or if some occur to you now or later, I am sure Mr. Levy would want to give consideration to them, either after the next number on the program, or in some other way.

We are grateful to him for his part in this program, and I am sure you all feel repaid for attending the session.

* * *

Pres. Hubbard. We have now come to the final session on the program. Before it gets under way, may I again stress the fact that this is an executive session, open only to members of the Association and their

guests. We have taken precautions to see that it is not reported in the press, and if any news representatives are present, by any chance, I am sure they will respect our wishes in that regard.

This session is devoted to the Federal Social Security Act, in two of its aspects—(a) the mechanics of employers' accounting and tax procedure and (b) the enactment of a state unemployment compensation act. The latter becomes of immediate importance with a special session of the General Assembly already called for



ROY C. WILCOX, executive vice president, International Silver Co., Meriden.

that express purpose. What is the attitude of Connecticut industry? Does it concur, reasoning that the tax due next January will be collected anyway, and that we should therefore attempt to salvage 90% of the moneys for Connecticut beneficiaries? Or does it take the stand that action should be delayed at least until it can be seen whether the Federal Act will stand the constitutional test, and thus save Connecticut employers from a burden which many other jurisdictions will not have? It may be that we shall be unable to arrive at a final conclusion today, but a lively participation in the discussion will go a long way toward giving your Board of Directors a cross-section of opinion on which to set the policy.

On the matter of information, we have secured Mr. Vaso Trivanovitch of the research staff of the National

(Continued on page 37)

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NEWS FORUM

Russell Manufacturing Reduces Capital. Meeting on November 12, stockholders of the Russell Manufacturing Co., Middletown, voted to reduce the outstanding capital of the company from \$2,000,000 to \$1,000,000 by cutting the par value of the capital stock to \$50.

The writing down of assets, according to President George M. Williams, will mean a saving of \$70,000 in annual depreciation charges and another \$70,000 in overhead charges exclusive of the former. Some 200,000 square feet of obsolete plant area, it is understood, will be abandoned.



It is also understood that stockholders authorized the directors to enter into a management contract with President Williams and his associates, giving them an option to purchase within three years from November 30, 4,000 shares of capital stock at par. The contract is said to include a stipulation that after \$60,000 has been earned in any one year, the remaining amount up to \$200,000 in three years, shall be placed in a management fund for the purchase of the stock costing \$200,000.

* * *

Relief Burden Dropped 60 Per Cent. The relief burden of Connecticut has dropped 60 per cent according to an announcement made November 7. This status was revealed through figures compiled by Joseph M. Loughlin, executive director of the State Emergency Relief. Mr. Loughlin's figures showed that there were 53,984 cases or 205,052 individuals receiving relief from public funds in Connecticut in January, 1935, while today there are only 14,547 employable relief cases representing 56,886 individuals. These cases, however, are exclusive of WPA except in instances where WPA income is supplemented slightly by funds allocated by local relief funds.

Since the Emergency Relief Commission was created by the last General Assembly and defined the emergency

as existing from January 18, 1936, to February 1, 1937, it is expected that its work will be ended on February 1 next. However, it is considered probable, in the event the next General Assembly does not continue the Commission, that some other state body will take over its functions. The Commission has been engaged in the following:

Monthly collection and tabulation of relief statistics, a necessity in State administration which had not heretofore been compiled; enrollment of boys for CCC camps; and distribution of Federal surplus commodities.

* * *

Russia Orders Glass Machinery. Hartford - Empire Company, manufacturers of patented machinery for production of bottles, is said to have received recently an order for approximately 30 carloads of glass-making machinery to be shipped to Russia. The business, which originated through the purchasing agency of the Soviet—the Amtorg Corporation of New York—assures production activity at the Hartford plant for several months.



Some of the single units are said to be of such size that only one can be shipped in a car. This order, reported to be in excess of \$250,000, together with other general business, has necessitated the rental of additional factory space and the creation of a temporary assembling and storage department in space rented from the Automatic Refrigerating Company on Capitol Avenue.

* * *

International Silver Reports Progress. The International Silver Company and Canadian subsidiary reported on October 28 an estimated net profit of \$114,972.02 after depreciation, etc., for the quarter ending September 30, 1936. This gain compares with a net loss for the similar period last year of \$80,941.

The last annual report of the corporation showed debt

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BRISTOL'S

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THE BRISTOL COMPANY, WATERBURY, CONNECTICUT

dividends on preferred 7 per cent cumulative stock outstanding, amounting to \$5,945,687.50, were 16 per cent in arrears on January 1, 1936. No dividends have been declared by the corporation this year.

* * *

New Brake Demonstrated by Rockwell Products. A new "all safety" hydraulic power brake system manufactured by the Rockwell Products Company in the Pratt and Whitney plant at 436 Capitol Avenue, Hartford, was demonstrated in Hartford late in October before representatives of bus lines, insurance companies and other organizations, as well as state officials. The demonstration was made on a school bus owned and operated by James Shea of Pawcatuck.

The new hydraulic power brake system includes such features as automatic stopping of wheels if the brakes fail, maintenance of a constant braking force, and separate power controls, one operating front wheel brakes, and one the rear. The Rockwell Products Company's brake is intended primarily for use on heavy duty vehicles and is not available for passenger cars.

The power for the brake is supplied by an electric motor, operating on battery current, which pumps up a quantity of fluid in an accumulator to a pressure of 500 pounds a square inch. At this point the motor is automatically shut off, leaving the fluid at this high pressure constantly available for the power operation of the vehicle brakes and other accessories. Whenever the pressure in the accumulator drops to 450 pounds a square inch, the motor automatically cuts in and raises the pressure back to 500 pounds, when it automatically cuts out again.

All demonstrations were made on Cedar Mountain Road. The first consisted of a normal stop. The second showed the power assist to the hand brake which showed conclusively that a bus driver could stop a bus with ease on a steep grade by use of the hand brake alone, this being connected to a valve operating the power brakes on the rear wheels.

In the third demonstration the driver cut off the power system entirely and made a stop on a steep grade using only the foot brake. Still another demonstration showed how, without setting the hand brake, the power brake performed automatically to hold a bus-load of people stationary on the side of a hill, and how at the same time the brake could be released quickly by opening a small valve in the dash board.

* * *

Business Up in New England. Business activity in New England is holding about 10 per cent above the corresponding period of 1935 according to a recent report of Dun and Bradstreet's trade review.

* * *

Buyer of Glastonbury Knitting Mills Gets Rebate. A rebate of \$20,000 in favor of the purchaser of the Glastonbury Knitting Mills of Glastonbury, Max Kalder of New York, was recently directed in an order filed by Judge Edwin S. Thomas of the United States District Court.

* * *

Stock Issue Cut at New Britain Machine. In an amendment filed with the Securities Exchange Commission in October, the New Britain Machine Company changed its original offer of common stock from 40,000 to 10,000 shares. The stock is being offered to holders of

outstanding stock at \$25 per share with any unsold portion of the offering being purchased by R. F. Griggs Company and Coburn and Middlebrook, the principal underwriters, at \$25 and sold at the prevailing market price.

* * *

Chase Elected President of Brass Association. F. S. Chase, president of the Chase Brass and Copper Company, of Waterbury, was recently made president of the Copper and Brass Research Association. John A. Coe, president of the American Brass Company, was named vice president. Others from Connecticut named on the executive committee were: R. L. Coe, Chase Brass and Copper Company; John A. Coe, Jr., The American Brass Company; W. M. Goss, Scovill Manufacturing Company, Waterbury; and H. W. Steinkraus, Bridgeport Brass Company, Bridgeport.

The Connecticut directors named besides the officers included: R. E. Day, president, Bridgeport Brass Company, Bridgeport; E. O. Goss, president, Scovill Manufacturing Company, Waterbury.

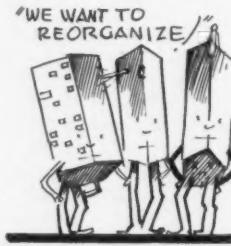
* * *

Electric Boat Pays Dividends. Electric Boat Company recently announced a dividend of 60 cents on its capital stock, marking the first distribution to stockholders since organization in 1925. The dividend is payable December 5 to stock of record as of November 20.

The company manufactures submarines and power boats, marine engines and electrical equipment. It has its largest plant at Groton, Connecticut, the smaller one being located at Bayonne, New Jersey.

* * *

Three Connecticut Mills Ask Reorganization. Three large woolen mills located in Glastonbury, Sprague and Killingly, recently filed petitions in the United States District Court for permission to reorganize under Section 77-B of the National Bankruptcy Act.



The Angus Park Mfg. Co. of Glastonbury listed assets of \$262,479.06 against liabilities of \$236,220.32. The Airlie Mills, Sprague, listed assets of \$522,964.93 against liabilities of \$267,034.38. The Assawaga Company, Killingly, listed assets of \$621,226.29 against liabilities of \$432,989.57.

The latter company was the only one of the three to report a surplus, amounting to \$171,242.16 as of January 1, 1936.

* * *

Royal Builds Addition. A contract for a one-story addition on Building No. 15 of the Royal Typewriter Company was recently awarded to Denis O'Brien and Sons, Inc., building contractors of 190 Trumbull Street, Hartford, according to announcement by vice president Charles B. Cook. The new addition will contain some 20,000 square

feet and the cost of construction, it is estimated, will run between \$40,000 and \$50,000.

Increased business and the need for extending certain departments of the company as well as the dining room, was given as the reason for the addition.

* * *

Wage Increases. Significant of better business and of a national trend upward in wage scale brackets, a large number of Connecticut manufacturers have recently increased wages and salaries. A few of them reporting wage increases are as follows:



American Steel and Wire Company, a subsidiary of the U. S. Steel Corporation, has announced wage increases effective November 15 for a full year, but with provisions for modification based on the cost of living index, 10 per cent for its 560 employees.

Bigelow-Sanford Carpet Company, Inc., with plants in Thompsonville, Connecticut, and Amsterdam, New York, has announced wage increases effective November 9 ranging from 5 to 10 per cent for hourly and piece-rate workers. The advance, according to E. I. Peterson, superintendent of the Thompsonville Mills, was made possible by increased production achieved through cooperation of all employees. More than 6,000 workers are affected.

All divisions of the United Aircraft Corporation posted notices in mid-November that all hourly rate employees will receive immediately a flat wage increase of 5 cents per hour, and commencing next year, vacations with pay to all employees on the payroll as of November 16, 1936, who remain continuously employed until the inventory shut-down period takes place about September 1, 1937.

Following out its general plan for some time past, Arrow-Hart and Hegeman Electric Company made its most recent upward adjustment of wages during November. The company now feels that its wage scales are in line with the most progressive practices prevailing throughout the country in similar lines of industry.

An upward revision of wages for approximately 5,000 workers in the footwear plants of the U. S. Rubber Products, Inc., of Naugatuck, effective November 27, was recently announced by Walter H. Norton, factory manager. Mr. Norton stated, "The real wages of our operators have been steadily increasing during a period when our company has been forced to economize drastically to meet payrolls. Today we are indicating our confidence in the future and in our operators by establishing a wage scale in anticipation of general prosperity in 1937—a wage scale based on future hopes."

A wage increase ranging from 8½ to 9 per cent was made effective November 16 to nearly 5,000 employees in the Hartford plant of the Royal Typewriter Company. The wage increase, it is estimated, will add about \$500,000 in payrolls annually. According to Charles B. Cook, vice president and factory manager, the increase is "in recog-

nition of the splendid loyalty and cooperation of all employees of the company with the management." The company's decision to share its prosperity with employees is regarded in financial circles as unusual since it is in arrears approximately \$8.75 a share against 37,698 shares of \$7 preferred stock, and since no common dividends have been paid since 1931.

Many other companies, particularly in the woolen and worsted textile and metal groups have recently increased wages from 5 to 10 per cent.

* * *

Hoadley to Head Atwood Machine Company. Franklin R. Hoadley, for many years vice president of the Farrel-Birmingham Company, of Ansonia, has resigned to accept the presidency of the Atwood Machine Company of Stonington, Connecticut. Mr. Hoadley, it is understood, will continue his duties at Farrel-Birmingham Company until January 1 when he will assume active charge of the Atwood Machine Company as president.

Mr. Hoadley is a vice president of the National Founders' Association, and has been unusually active in governmental affairs during the past two years, especially during the NRA period. He was also made a director of the Association at its recent annual meeting, October 29.

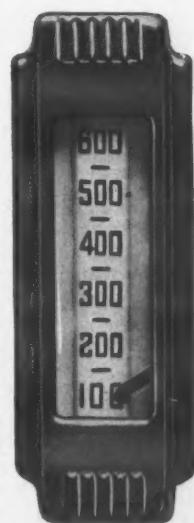
* * *

New Catalog Released by Cooper. The Cooper Oven Thermometer Company of Pequabuck, Connecticut, has recently released to the trade its new catalog No. 200. From its front cover, principally of orange lettering laid on a black background, to the rear, it shows in a comprehensive way practically all types of thermometers of thermostatic metal now made by the company as well as giving the background history of the development of the first oven thermometer invented by D. G. Cooper in 1885.

Besides being replete with clear cut illustrations and ample descriptive material about the company's chief models, the catalog also contains a panorama photograph of the company's sizeable manufacturing establishment. The photograph shows the newly constructed tool and machine shop building, where metal blanking and other production operations are carried on; storehouse, the porcelain enameling department (Horace R. Whittier Division), and the general offices, assembling and shipping departments. The lines shown in the catalog include stove thermometers, a varied line of "custom made" thermometers for stove and appliance manufacturers, midget thermometers for use on electrical and gas appliances, room thermometers, automobile thermometers, refrigerator thermometers, bath thermometers and outdoor thermometers.

The last page of the company's catalog illustrates a special service offered to specialty manufacturers, wherein the company produces thermostatic dials to order either with or without cases, which can be mounted, by manufacturers in their own frames made of plastics or metals.

The illustration accompanying this news item is the "King," a vertical reading thermometer which is the latest addition to the Cooper line. Styled like the mercury type ther-



mometer, it has a glass face in a porcelain enamel frame which can be secured in any color.

The Cooper Oven Thermometer Company has expanded tremendously during the past two years and now enjoys the largest business in its history of more than 50 years. This catalog marks the second published within the past 6 months, the former being descriptive of the numerous porcelain enamel products made by the Horace R. Whittier Division of the company.

IN THE GENERAL ASSEMBLY

(Continued from page 2)

presented by vice president John H. Goss, full text of which was appended to General Bulletin 537, dated November 13, 1936.

Going into its second executive session Friday afternoon, November 20, the Blackall special legislative committee dropped proposed changes in the commission's bill which it had approved tentatively at its first executive session on November 16 after the second hearing. These changes included the inclusion of agricultural and domestic help among the beneficiaries, making the Act effective on employers of four or more and placing the administration of the act under the workmen's compensation commissioners.

The committee, in its second executive session, made principal changes as follows: (See Bulletin No. 520, Nov. 27.)

1. Eliminated employee contributions.
2. Eliminated entire section making the Act inoperative if the Federal Social Security law is declared unconstitutional.
3. Provided that the advisory council to the administrator shall consist of six members—two employers, two employees and two of the general public. No limit was made on the number in the commission bill.
4. Established a minimum benefit of \$7.50 a week or three quarters pay, whichever is greater.
5. Provided for use of merit system in selecting new employees for the Labor Department to administer the Act.
6. Exempted hospitals and charitable institutions, whose employees are not eligible for benefits, from keeping employment records.
7. Substituted exact wording of Federal Social Security Act for similar wording to the state commission bill concerning when a beneficiary may refuse work because of labor conditions.

Since the second executive meeting of the committee strong opposition arose against the elimination of that part of the state act which would make it inoperative in the event the Federal act was declared unconstitutional. Included among the opposition to the latter committee change were a number of municipal officials aroused to the competitive dangers by Mayor Spellacy of Hartford, in the event Connecticut is saddled with a permanent act while practically all other states in competition with our industry include the inoperative clause in their acts and proposals. The Association also opposed the elimination of this clause because of the sales advantage which would accrue to industrial competitors in other states in the event the Federal Act is declared unconstitutional.

The net result was that the Governor and the legislative committee met in the morning of November 30, and reinserted section 16c making the act inoperative in the event the Federal Social Security Act was declared unconstitutional. With the reinsertion of this section, together with certain reservations and amendments which will be explained in a new Unemployment Compensation Manual to be mailed to members in December, the bill was enacted on November 30. The General Assembly will reconvene again December 9 to consider a housing proposal and certain bills of local interest.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, OF CONNECTICUT INDUSTRY, published monthly at Hartford, Conn., October 1, 1936.

STATE OF CONNECTICUT COUNTY OF HARTFORD

Before me, a Notary Public in and for the State and County aforesaid, personally appeared L. M. Bingham, who, having been duly sworn according to law, deposes and says that he is the Editor of the CONNECTICUT INDUSTRY and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc. of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:
Editor : : : : L. M. BINGHAM
Publisher : : : : MANUFACTURERS' ASSOC. OF CONN.
Managing Editor : : : : C. L. EVANSON
Mountain Road, Bloomfield
2. That the owner is the Manufacturers' Association of Connecticut, officers of which are as follows:
E. KENT HUBBARD, President, "Arawana", Middletown, Conn.
JOHN H. GOSS, Vice-Pres., 70 Hillside Ave., Waterbury, Conn.
C. L. CAMPBELL, Treas., 36 Pearl St., Hartford, Conn.
C. L. EVANSON, Sec. & Asst. Treas., Mountain Rd., Bloomfield, Conn.
3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.
4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

L. M. BINGHAM,
Editor.

Sworn to and subscribed before me this 1st day of October, 1936.

M. T. Montgomery, Notary Public.
My commission expires Feb. 1, 1940.

WARREN M. BROWN
CERTIFIED PUBLIC ACCOUNTANT

SIXTY FOUR PEARL STREET

HARTFORD

CONNECTICUT

*Warren M. Brown
CPA*

DEPARTMENTS

Accounting Hints for Management

Contributed by Hartford Chapter N. A. C. A.

Dividend Distributions vs. Corporation Surtaxes. At the present time consideration of the 1936 dividend policy is at its height. Much has been said and written on the subject and exhaustive comment thereon cannot be indulged here. However, it seems very timely to focus attention on the chart presented below so that the relative position of taxes involved may be viewed from a correct perspective. This chart indicates briefly the actual effective rates of the new surtax on corporations in relation to the total adjusted net income when various portions of the said adjusted net income are not distributed:

	Percent of Adjusted Net Income Undistributed	Rate of Tax	Cumulative Average Effective Rate on Am't. Undistributed	Cumulative Effective Rate on Adjusted Net Income
First	10%	7%	7 %	.7%
Second	10	12		
Total	20		9½	1.9
Next	20	17		
Total	40		13½	5.3
Next	20	22		
Total	60		16½	9.7
Next	40	27		
Total	100%		20½	20.5

★ ★ *

Stock Control. From time to time selected instances of unusual uses of accounting records and data have been presented in this column. One very appropriate to this period of the year recently came to our attention.

A company in one of the large industrial cities in this state had a very serious stock situation about seven years ago. The management appointed a committee to study the problem. The first thing the committee called for was a report on the stock position which the then existing records did not fulfill.

Steps were taken immediately to provide essential records which would adequately disclose the stock position from week to week.

As a result of the record thus available, after the committee had been functioning for about a year, the number of stock items was reduced from 14,000 to 9,000. The inventory was reduced almost half a million dollars.

This committee still operates devoting half a day a week to study and recommendations relative to the stock situation. The activity of this committee will prevent the recurrence of a situation such as has been described.

★ ★ *

"Operating for a Profit" will be the subject of discussion at the monthly meeting of Hartford Chapter, N.A.C.A., December 15, 1936. Mr. Stanley S. Gwillim,

Secretary of the Trumbull Electric Company, Plainville, will be the speaker.

Transportation

Pick-Up and Delivery Service Inaugurated. Finding that the pick-up and delivery service of the rail carriers operating in Official Territory, which had been under suspension since April 1 of this year, had been justified except for a few minor modifications, the Interstate Commerce Commission authorized the carriers to inaugurate this service on 10 days' notice on or before December 21, 1936. Subsequently the Eastern Rail lines agreed to start the service November 16. The carriers are offering not only a pick-up and delivery service on western carload traffic but, in addition, they are making an allowance of 5 cents per hundred pounds to either the shipper or consignee in lieu of the pick-up or delivery services in such instances as he elects to perform this service by his own vehicles.

The only important modification in the tariff recently filed by the carriers is that the minimum rates upon which the collection and delivery is offered have been increased from 30 cents to 45 cents per hundred pounds. In short, this free pick-up and delivery or allowance is not to be granted on shipments moving at a rate less than 45 cents.

★ ★ *

Contract Filing Date Postponed Again. In an order filed November 6, the Interstate Commerce Commission postponed from December 1, 1936 to February 1, 1937, the date upon which copies of contracts, or memoranda covering oral contracts, must be filed with the Commission and kept open for public inspection. This is the second postponement beyond the original effective date of October 1 set by the Commission's order of July 11, 1936.

At present there is considerable doubt as to whether the Commission has the authority to require the filing of such contracts for public inspection, for in so doing, they would disclose pertinent information concerning the nature, kind, quantity, etc., of the property tendered to the motor carrier for transportation. The Motor Carrier Act specifically prohibits the disclosure of such information. It is believed the Commission may issue subsequent orders further modifying its present requirements.

★ ★ *

Railroads Issue List Upon Which New Rates Are Proposed. A supplementary and final list of suggested commodities for revision in freight rates, in addition to the list subjoined to Transportation Bulletin No. 489 dated October 14, accompanied Transportation Bulletin No. 496 dated November 14. A complete list consists of some 250 items and the details of the proposed increases outlined on approximately 35 additional pages, are too lengthy for enumeration here. Members interested in any of the items on the list attached to the foregoing bulletin should address their question to the Association's Transportation Department. A proposal to revise certain carload rates on these commodities is brought about because of the anticipated expiration date of the emergency freight charges on December 31, 1936.

The Association is planning to participate in hearings which it is expected, will eventually result from petitions for suspension of the increased rates on certain items, but its degree of participation will depend entirely upon the requirements of the industry and whether or not separate action is taken either individually or by groups of manufacturers.

* * *

Maritime Commission Takes Over Shipping Board Activities. The United States Maritime Commission took over, on October 25, the powers and functions previously exercised by the Department of Commerce as the successor to the United States Shipping Board, by virtue of the President's Executive Order of June 10, 1933. The transfer of authority to the United States Maritime Commission is outlined in Section 204 (a) of the Merchant Marine Act, 1936.

In taking over its new powers and functions, the United States Maritime Commission accepted all outstanding rules, regulations, etc., previously issued by either the Department of Commerce or the United States Shipping Board, except those which may be within the new Merchant Marine Act. All proceedings pending before the Department of Commerce are scheduled to be continued before the Commission.

* * *

Everett J. Arbour Named Carriers' Official. Everett J. Arbour, general manager and treasurer of Consolidated Motor Lines, Inc., of Hartford, was recently elected vice chairman of the Interstate Carriers' Group of American Trucking Associations at its convention in Chicago, October 19. The convention, one of the largest ever held, registered an attendance of more than 2,000 truck operators or officials of operating companies.

* * *

Seamen Strike Hits Both Coasts. The long-threatened maritime strike hit the Pacific coast with full force on October 30, and since has spread to Gulf and Atlantic coast ports. At the start some 37,000 maritime and shore-side workers left their jobs, forming picket lines. More than 100 ships were said to have been caught in west coast ports at the beginning of the strike while many more have been added since both on the west coast and east coast as well as some in the Gulf ports.

The strike was called suddenly early in the morning of October 30 in the midst of peace conversations which had previously shown prospects of producing results. At the same time a group of 26 eastern and foreign companies virtually offered everything demanded by the west coast longshoremen, but the powerful union, central unit of the 1934 strike, declined to accept peace without assurance that the demands of other unions would also be met. Final refusal of the west coast shippers to grant two fundamental demands of the sailors' union resulted in the walkout.

On November 10 the Seamen's Defense Committee claimed that 73 vessels were tied up in New York harbor and 247 held idle along the entire eastern seaboard as the sympathetic strike of union insurgents took a more violent turn.

Thus far efforts of arbitration of the strike by the United States Department of Labor have apparently made little headway.

Foreign Trade

Foreign Trade Committee Meeting—November. The most recent meeting of the Association's Foreign Trade Committee was held Wednesday evening, November 4, at the University Club, Hartford, meeting jointly with the Export Managers' Club of that city. The chief speaker of the evening was Cecil G. Tilton, Associate Professor of Economics, Connecticut State College, Storrs. Mr. Tilton, who had recently returned from an 8 months' visit in Japan, spoke on the social, economic and political conditions in that country as he observed them. His talk was illustrated by photographic slides of his own making.

Following Mr. Tilton's remarks the committee discussed among other things the Argentine decree requiring labels and wrappers on imported merchandise which becomes effective November 26, certain provisions of the Robinson-Patman Price Discrimination Act, proposed changes in rates of cables and radiograms, proposed changes in service by the National Federation of Foreign Trade Associations and certain provisions of the Revenue Act of 1936. A letter from the Federal Trade Commission showed conclusively that the provisions of the Robinson-Patman Price Discrimination Act did not apply to business done in the Philippine Islands. The committee overwhelmingly objected to a proposal by the communication companies for the complete elimination of deferred classifications (night letters). On the proposal of the National Federation of Foreign Trade Associations, suggesting that the country be divided into districts in charge of a governor elected by member organizations, the committee approved with the reservation that Connecticut should be attached to the New York District rather than the New England District because its exports are made through the port of New York rather than Boston. It was also brought out at the committee meeting that it was not incumbent upon American manufacturers to deduct a flat 10 per cent of a non-resident agent's commission as income tax payable to the United States Government, which had previously been held by most committee members as a requisite provision of the Revenue Act of 1936. The reversal of their view was brought about by an answer submitted by the Connecticut Society of Certified Public Accountants which stated that because the services of these alien commission agents were not performed within the United States, such commissions would not generally be taxable.

Chairman James E. Bryan of the Foreign Trade Committee, recently made director of the Association, presided at the meeting. Other members of the committee present were: Royal H. Miller, export manager, The Turner and Seymour Mfg. Company, Torrington; Leonard B. Hough, export manager, The Collins Company, Collinsville; Harold G. Farwell, export manager, Raybestos Division of Allied Asbestos Products (Export), Inc., Bridgeport; Harold W. French, export manager, Bridgeport Hardware Mfg. Corp., Bridgeport; Herbert F. Beebe, manager, Foreign Department of Winchester Repeating Arms Company, New Haven; and A. C. Hine, Jr., of the Association staff.

Members of the Export Manager's Club of Hartford in attendance included the following: John D. Garrett, chairman, export sales manager, Arrow-Hart and Hegeman Electric Company; H. C. Bowman and R. C. Kingsbury of Colt's Patent Fire Arms Mfg. Company; J. D. Murphy and W. D. Ball of The Wiremold Company; W. G. Howells, export manager of The Merrow Machine Company;

G. W. Frantzen of the United Aircraft Corporation; L. L. Gaylord of The Capewell Manufacturing Company and A. P. Keeler, export manager of The Fuller Brush Company.

* * *

Adler and Farrel Favor Reciprocal Trade Agreement with Japan. Two prominent authorities on foreign trade coincide in urging that the United States liberalize its policy with respect to trading with Japan. Benjamin Adler, one of the authorities, recently pointed out that, partly as a result of education against increased imports of Japanese goods, Japan is this year buying 25 times as much cotton from Brazil as she did last year. He further pointed out that since Japan is our largest customer for the Southern cotton, this marked shift to Brazilian cotton seriously threatens our hold on the Japanese market. Further, he drew attention to the fact that an economic mission from Japan visited Brazil last year and that today Japanese exports to that country have been increased five-fold; that Brazilians during the past summer conferred with Japanese mill owners and cotton merchants with a view to increasing their purchases of the Brazilian staple.

Speaking at a recent luncheon in New York given by Baron K. Okure, Japanese industrialist, Mr. Farrel pointed out that the increase of duties on certain Japanese cotton goods was mandatory owing to the excessively low prices at which they were sold in this country. He suggested that if prices were brought closer to the level of those in this country, the mandatory provisions of our tariff law would no longer apply and Japanese producers would make larger profits. He was further of the opinion that the U. S. Reciprocal Trade Agreement policy would apply with particular appropriateness at this time in Japanese-American trade relations.

UNEMPLOYMENT COMPENSATION

(Continued from page 1)

of labor, etc. Will the higher costs of labor displace workers by encouraging invention and new labor-saving devices? To a certain extent, yes. Will the act encourage the maladjusted or the merely lackadaisical to shirk the changes or the new energies which a hardier system might require? It will. Will it slow down the zeal with which workers displaced in one industry look for work in another? Obviously. As we say above, the principle is accepted. Our job now is to fight not it but its abuses."

ANNUAL MEETING

(Continued from page 29)

Industrial Conference Board. Members of the Association's Special Committee on Social Security will also be in attendance. Attention will be given to the matter of accounting methods, notices, registration, etc. Forms, devices and material for use in this connection will be explained by experts from member companies who were invited to display any product of their manufacture designed for these uses.

Here is another chance for Connecticut employers to obtain specific answers to practical queries on any phase of employers' or employees' rights or obligations under the Act.

Some members have already submitted their queries in writing and these will be answered first; but I urge you again to feel free to ask questions from the floor. The much needed clarification of all the issues involved can be further assured if members' queries are sufficiently representative. The session will be presided over by Honorable Roy C. Wilcox, Executive Vice President of the International Silver Company, Meriden, and former Lieutenant Governor of Connecticut. I will now turn the chair over to him. Governor Wilcox.

* * *

Chairman Wilcox. Mr. President and Members of the Association: As the curtain rises on this third and final act of the very educational matinee this afternoon, we are going to get right down to business on the Social Security Act. For that, as your President has said, we have been very fortunate to have Mr. Trivanovitch with us as an outstanding expert on economy, a member of the National Industrial Conference Board.

We also have with us today Mr. Lehn, of the Underwood-Elliott-Fisher Company, Mr. Bernart of the Postage Meter Company, and Mr. Chattamey of the Remington-Rand, to answer certain questions relative to forms, records, and so forth.

The questions have all been sent in to Mr. Trivanovitch, and he is ready to answer them, and I would suggest that in order to speed this thing up, he answer them by yes or no, and if there are any members here who wish to discuss any particular question on this subject further, he will rise at that time.

It gives me great pleasure to introduce to you at this time Mr. Trivanovitch.

(Questions pertaining to the Social Security Act will be answered in the series of bulletins to be made a part of the Social Security Act Manual, by personal contact, letter or telephone conversation—Ed. note.)

* * *

Chairman Wilcox. Any other questions that have come in or will come in will be sent out with a bulletin from headquarters of the Association. The Chair hears no one anxious to ask any further questions of Mr. Trivanovitch. Thank you very much, Mr. Trivanovitch, for coming here.

* * *

Pres. Hubbard. The hour is getting late, gentlemen. We promised in our bulletins that adjournment would be around five, and we are already past that hour. If the limitations of time have kept anyone from putting a query on any of the subjects, or if the discussions have stirred up doubts in the minds of any person in the audience, I wonder whether it wouldn't be a good idea for them to remain after formal adjournment, if the speakers are willing. Members of the staff will be on hand to assist.

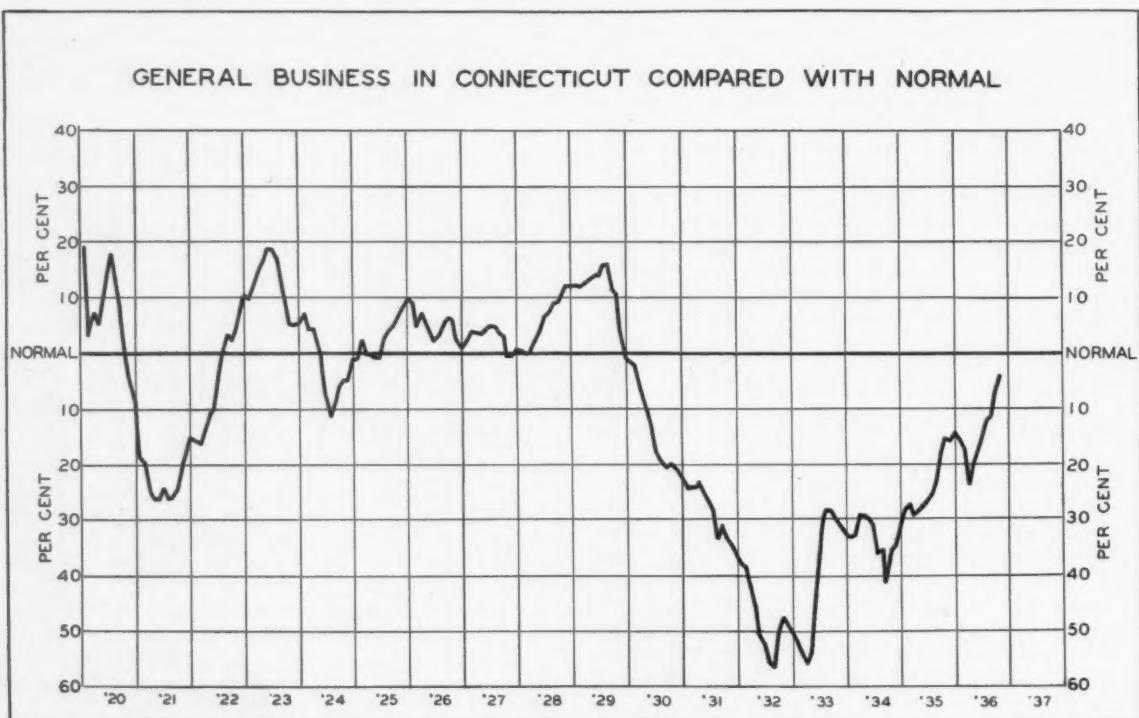
Now we are ready, I believe, to wind up. I hope you agree with me that the meeting was set up in a way to call forth the greatest amount of practical fruit in the shortest time. We have had to make some sacrifices to brevity, but I think the groundwork has been laid for a better grasp of the issues in all the subjects discussed today. I thank you all for coming, and I hope that in the coming year all your interests will share in the prosperity which now seems to definitely under way.

The meeting stands adjourned!

BUSINESS PATTERN

General Summary. Further sharp recovery in general business activity occurred in Connecticut during October. As a result the general index of business stood at only 4% below the estimated normal for the month. Manufacturing operations continued to expand more rapidly than seasonally expected in all cities for which data have been secured, the number of man-hours worked rising above normal for the first time since 1929 with factory employment approximately at normal. Average weekly hours worked per employee increased moderately as a shortage of skilled labor developed in several cities. Cotton mills were more active than in September but only slightly more so than twelve months earlier. Freight carloadings origi-

the new 1937 automobiles was retarded by a delay in production of the new Fords. New orders for machine tools increased over a month previous. Weekly reports for the first half of November indicate some upward movement in business activity. Automobile production has expanded to the highest level since May and is above the level at this time last year. Orders for the new models have been highly encouraging and trade forecasts look to a record breaking output for the fourth quarter as a whole. Steel operations were somewhat below October but the decrease was no more than normal. Orders for cotton goods, 50% above production during October, continued heavy in the first half of the current month.



nating in Connecticut increased substantially over the previous month and on an adjusted basis were the highest since May, 1930. The index of metal tonnage carried by the New Haven Road continued to rise. Building activity in progress showed a small gain but new building during the month declined moderately. Bank debits to individual accounts in the four weeks ended November 11 exceeded the corresponding 1935 period by 12% compared with a 4% increase in the preceding four-week period. For the first week of November, average daily carloadings declined less than seasonally from October.

Business activity in the United States in October was somewhat less active than a month earlier. Freight carloadings advanced and small gains were experienced in the production of iron and steel. Electric power output, seasonally adjusted, was unchanged from September and assembly of

Wholesale prices became somewhat firmer during the four weeks ended November 7. Strength, however, was greater among commodities other than farm products and foods, the average price for these items rising 0.5% according to the index of the U. S. Bureau of Labor.

The composite index of the cost of living showed a small decrease in October due entirely to a 1.7% decline in the cost of food, other components tending higher. Compared with October, 1935, the cost of living advanced 3% as a result of increases of 11% in rent and 3% in food prices.

Financial. The number of business failures in Connecticut during the four weeks ended November 7 was 5% below the corresponding period last year. New corpora-

tions formed numbered 15% more than a year earlier. Real estate activity began to diminish seasonally but remained at the best level for this time of the year since 1930. The aggregate value of mortgage loans increased 23% over a year previous.

Construction. New building in Connecticut declined moderately during October and early November, the value of building permits issued being but 25% more than a year earlier whereas the gain for the year to date was close to 60%. However, industrial building continued to forge ahead, contracts being awarded for extensive additions to the plants of Rabhor, Inc. of Norwalk, Wiremold Company of West Hartford, Tilo Roofing Company of Stratford, and Royal Typewriter Company of Hartford.

In the United States, new building also fell off more than seasonally from September and was only 12% above the October, 1935, level. The decrease in the value of building contracts awarded in 37 eastern states was due principally to a falling off in public work and utility projects. Awards for residential buildings advanced 45% over a year earlier while other non-residential building also showed a gain.

Labor and Industry. Manufacturing activity in Connecticut expanded further in October. The index of the number of man-hours worked in seven cities stood at 1.2% above the estimated normal compared with 1.5% below in September and 11.7% below in October, 1935. The estimated index of factory employment advanced to 1.0% below in October against -1.6% (revised) a month earlier and -4.2% a year earlier. Operations in all cities increased sharply. In comparison with October, 1935, the number of man-hours worked this year was up 21% in Hartford, 20% in New Haven, 15% in New Britain, 8% in Bristol and was unchanged in Bridgeport. Employment in Waterbury brass mills again increased rapidly and was close to the highest level on record. In Torrington, factory employment was 1% greater than a month earlier and the best since October, 1929. On November 12, the Royal Typewriter Company of Hartford announced a wage increase, effective November 16, of approximately 9% for its 5,000 employees in Hartford. On the same date some 600 employees of the American Steel and Wire Company of New Haven received a 10% wage increase.

Trade. Retail trade picked up appreciably in October with the advent of cooler weather. Sales by department stores in the United States ran 16% ahead of a year previous during the month, and November reports indicate further expansion in sales. Christmas trade was expected to be abnormally heavy due to a high level of employment, wage increases, and larger dividend disbursements generally.

Transportation. Freight carloading in Connecticut rose to but 7% below the estimated normal in October against 13% below in September and 20% below in October, 1935. Shipments of automobiles on the New Haven Road as a whole were up 31% over the same 1935 month while the movement of building materials gained 40%. Loadings of less-than-carload lot merchandise were less than in 1935, due probably to heavier shipments by truck. For the first month since May, bituminous coal was moved in greater volume than in the corresponding month a year previous. In the four weeks ended November 7, Connecticut carloadings were up 22% over the same 1935 period compared with a 16% gain in the United States.



Editorial Note: In this column will appear monthly, if the amount of good business literature warrants, a brief description of the books and pamphlets which, in the opinion of a business librarian and the editor, will be helpful to the business man. This month's suggestions are made by Miss Mildred Potter, Business Librarian, Hartford.

For Top-Executives Only—Frederick, J. G., and others

Traces the evolution of the executive in America, and his qualities are analyzed more frankly than ever before. The goal of the book is "Better Business Executives," and the language used is blunt and to the point.

How To Make More Sales—Simmons, Harry

Mr. Simmons has sold goods and directed salesmen for over twenty years. He has also made frequent contributions to *Printers' Ink* and other selling magazines. In this book he does not preach or give useless, impractical advice. Instead he offers to salesmen and sales managers aids which are new, specific, timely and vital.

How To Use Psychology In Business—Laird, Donald A.

Written especially for the executives of small plants, and it deals with the problems that confront them daily. The language used is simple and understandable. Business people should find this book interesting and useful.

Public Utility Industries—Wilson, G. L., and others

An interesting survey of the economic, legal, and social characteristics of public utility enterprises. Also includes a critical study of their organization, management, services and rate structures.

Two Cycles Of Corporation Profits—Sloan, L. H., and associates

A timely study of actual earnings in 136 leading American corporations during the 1922-1933 cycle. This is projected in the 1934-19XX cycle in order to discover what seems likely to occur with profits and values. It is a most complete and authoritative analysis.

A World In Debt—Tilden, Freeman

Many writers have explained what debt IS. Mr. Tilden tells us what debt DOES. This book is a history of debt—from the first loan of primitive man to the seventy billions which the United States can safely borrow—written in a most clever and witty vein.

Your Work Abilities—Rahn, A. W.

A new and scientific way to "get a job." This method has been tried out and has proven successful in over 600 cases, including men and women whose incomes have ranged from \$200,000.00 a year to \$.15 per hour. The author is connected with the Western Electric Company.

Service Section

On account of space limitations, the material and used equipment items offered for sale by Association members have not been classified by sizes or usage best adapted. Full information will be given on receipt of inquiry. Listing service free to member concerns. All items offered subject to prior sale.

materials for sale

CONDULETS and fittings, remnants of covering materials—velours, velvets, mohair, tapestries, denims, chintzes, and cretonnes, semi-finished and castellated U. S. S. nuts, pulleys, flat and crown face-steel and cast-iron; new shaft hangers, brass wire, brass rods, aluminum tubing, cold drawn steel—mostly hex; miscellaneous lot of material used in the manufacture of molded rubber parts and flooring, knife switches—new and many sizes; carload C. I. drop bases; lead pipe, lead sheet acid proof pipe fittings, 124 bars screw stock varying thicknesses and lengths, white absorbent tissue process from cotton, rotary convertor colors and dyes—large anneal copper with high silver content in rolls J. H. Williams' wrenches variety, lacquers—several hundred gallons in assorted colors; and soft in assorted sizes.

equipment for sale

ANNUNCIATORS, baskets, beaders, beamers, bearings, belt stretchers, blowers, boilers, braiders, bronze runners, cans, cards, woolen; car loaders, chain, chairs, chamfer, clocks, time recorders; clock systems, colors and dyes, compressors, condulets, convertors, conveyors, cookers, cooking utensils, doublers, draftsman's table, drop hammers, drops, board; drums, drying racks, dyes, engines, evaporators, extractors or percolators, fans, filtering carbon, folders, forming rolls, frames, furnaces, gears, generators, grinders, grindstones, grinding wheels, guiders, headers, lamp shades, lathes, lifters, looms, Dr Laski circular; machines, automatic; machines, calculating; machines, compressing; machines, dieing; machines, drilling; machines, filing; machines, filling; machines, folding; machines, knitting; machines, mercerizing; machines, milling; machines, pipe-cutting and threading; machines, pleating down; machines, riveting; machines, screw; machines, threading; machines, tongue and groove; machines, washing; mercerizer equipment; millers, mixers, mills, mills rubber; mixing rolls, motors, oil circuits; oven drawers, paints and lacquers; panels, planers, plungers, pointers, presses, profilers, pulley drives, pumps, reamers, receivers, rheostats, safe cabinets, saws, scales, screens, seamers, shapers, shears, spindles, spinning mules, steam tables, steam warmers, stitcher, 192 monitor corner box switches, tables, tanks, toilet equipment, trucks, ash can; tube closers; wire, wire screw and yarders.

for sale or rent

FOR RENT. In Hartford, Connecticut, units of 5,000 to 16,000 sq. ft. in fully sprinklered modern building suitable for light or heavy manufacturing. Elevator, heat, watchman service included in rental. New York, New Haven and Hartford Railroad siding available. Out of flood area. Will rent at reasonable rates. For particulars apply to Billings and Spencer Company, Nelson Smith, 75 Pearl Street, Hartford, or your own broker.

WANTED—MANUFACTURER AND DISTRIBUTOR. Consulting engineer of Atlanta, Georgia, is now seeking a machinery manufacturing concern to produce and distribute equipment for covering wires and other products such as roofing slabs, with insulating materials prepared from cotton. For full particulars and direct contact with the engineer write S. E. 94, CONNECTICUT INDUSTRY.

FOR SALE. One Kennedy-Van Saun Air Swept Coal Pulverizer Ball Mill. For details and specifications apply to Robertson Paper Box Co. Inc., Montville, Connecticut.

FACTORY SPACE AND LAND FOR SALE. In a recent consolidation of plant activities a large Connecticut company now offers for sale in New Britain, Connecticut, 5 acres of land with 100,000 sq. ft. of floor space and several buildings. The plant has a railroad siding and elevator equipment in the storage and shipping building. There are three foundry buildings as follows: 120 ft. by 205 ft.; 85 by 165; and the third being 85 ft. by 55 ft. The largest unit is known as the Annealing Building, 275 ft. by 85 ft., this being joined by a 90 ft. by 90 ft. storage and shipping building. There is also a large coal and sand storage shed equipped with trestle and coal handling

hopper, dimensions 180 ft. by 30 ft. Factory and storage space adjoining the large foundry of about equal dimensions is split up into the following: Core room, miscellaneous shop, electric charging room, hard rolling department, storage room, sand blast room, engine house and control room, boiler room—all being joined by an office. Other small buildings also on the property are a pattern storage shop, 45 x 30, a garage 40 x 25 and 2 other buildings which may be used for storage. There is also plenty of yard space for outside storage. All of the larger buildings are of the Monarch type construction. Blueprints and further details will be sent on request. The company also has an excellent parcel of real estate for sale covering approximately 17 acres with railroad siding in the city of Bridgeport. For further information on either of these properties address S. E. 93.

employment

SALESMAN. Man with broad office and executive training experienced in selling both department and jobbing trade, desires position where there is an opportunity for advancement through honest work and intelligent effort. Nominal salary until worth is proved. For further details address P. W. 335.

ACCOUNTING AND FINANCIAL EXECUTIVE. 17 years of experience in general accounting, costs, budgets, systems and auditing. Mature executive with record of accomplishments as controller and as secretary and treasurer, competent organizer. Desires connection with a manufacturing organization having accounting, cost and production control development problems. Married, American, Protestant, Employed at present. Address P. W. 336.

EXECUTIVE. Man with very broad experience qualified to fill position as manager, treasurer or accounting manager, seeks connection anywhere in the United States. References exchanged during interview. Salary requirement consistent with opportunity and responsibility. Address P. W. 338.

MANUFACTURING EXECUTIVE. College graduate who has had more than 20 years' experience in the operating end of one of America's largest wire companies, several years as vice president and general manager of a machine tool company, and several years in the same capacity for a well known producer of textile machinery, seeks either an executive or experimental connection, preferably in New England territory. He will accept a desirable location anywhere. For further information and interview address P. W. 339.

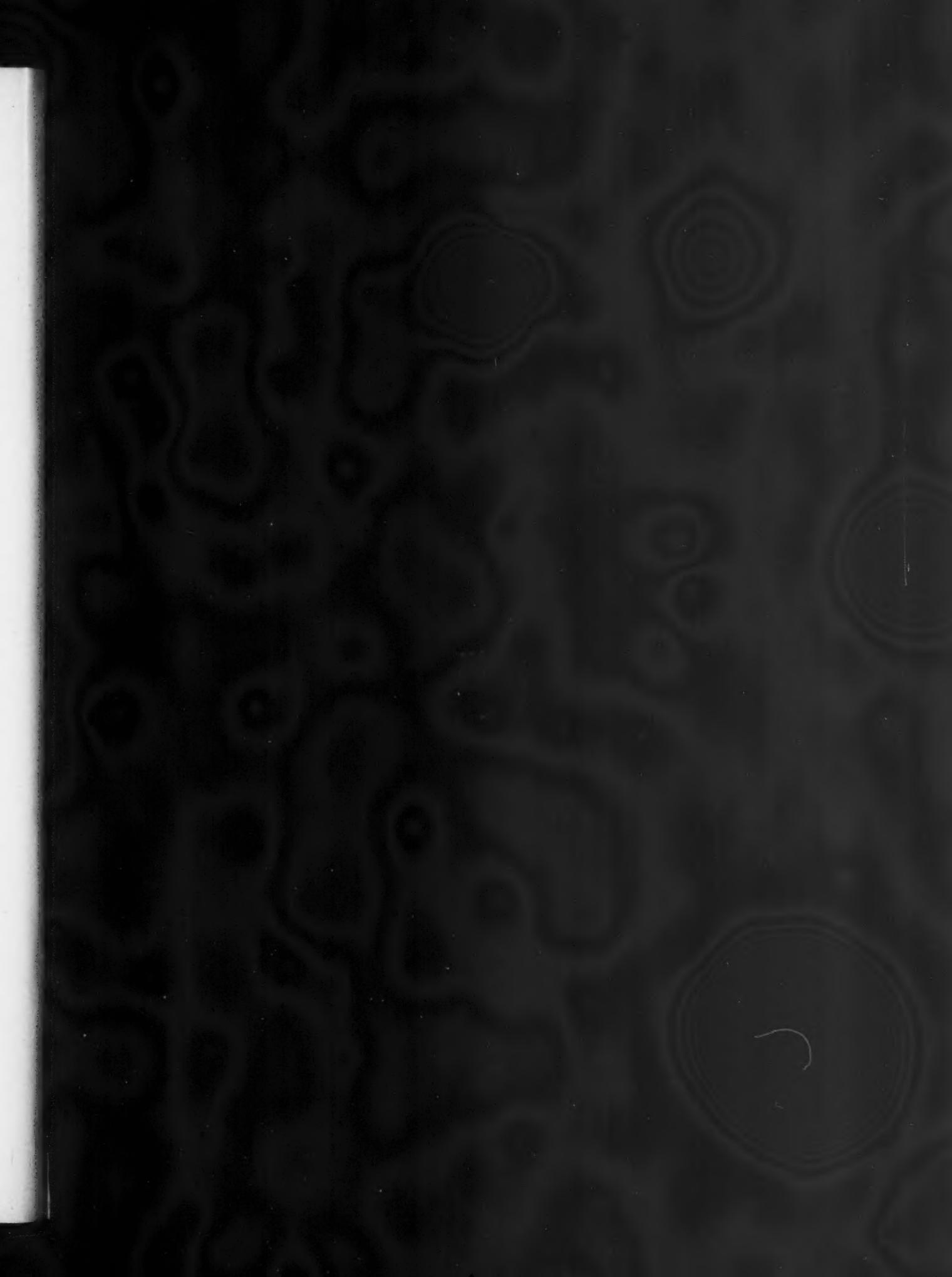
SALES REPRESENTATIVE. An executive of a Connecticut establishment who has recently severed his connection now seeks to represent a number if small manufacturers desiring to place their products on sale with large chain stores and syndicates. Because of his experience and close contact with these large outlets he is in a position to render a real service to small producers who at present have no sales force. For further particulars and interview address P. W. 341.

YOUNG MAN. Executive caliber, 35 years of age. Large diversified experience as accountant, purchasing agent and office manager. Salary expectations moderate. Address P. O. Box 1321, New Haven, Conn.

EXECUTIVE. Man with exceptional executive ability and experience desires position as treasurer, assistant treasurer or assistant to the president of a progressive corporation. Held position for the past 7 years as secretary and assistant treasurer of a large manufacturing organization having supervision over accounting, financial matters, insurance, corporation reports, credits, investments, etc. Prior to this position was chief clerk of a large manufacturing company in charge of plant and office accounting. Can furnish excellent references. Address P. W. 342.

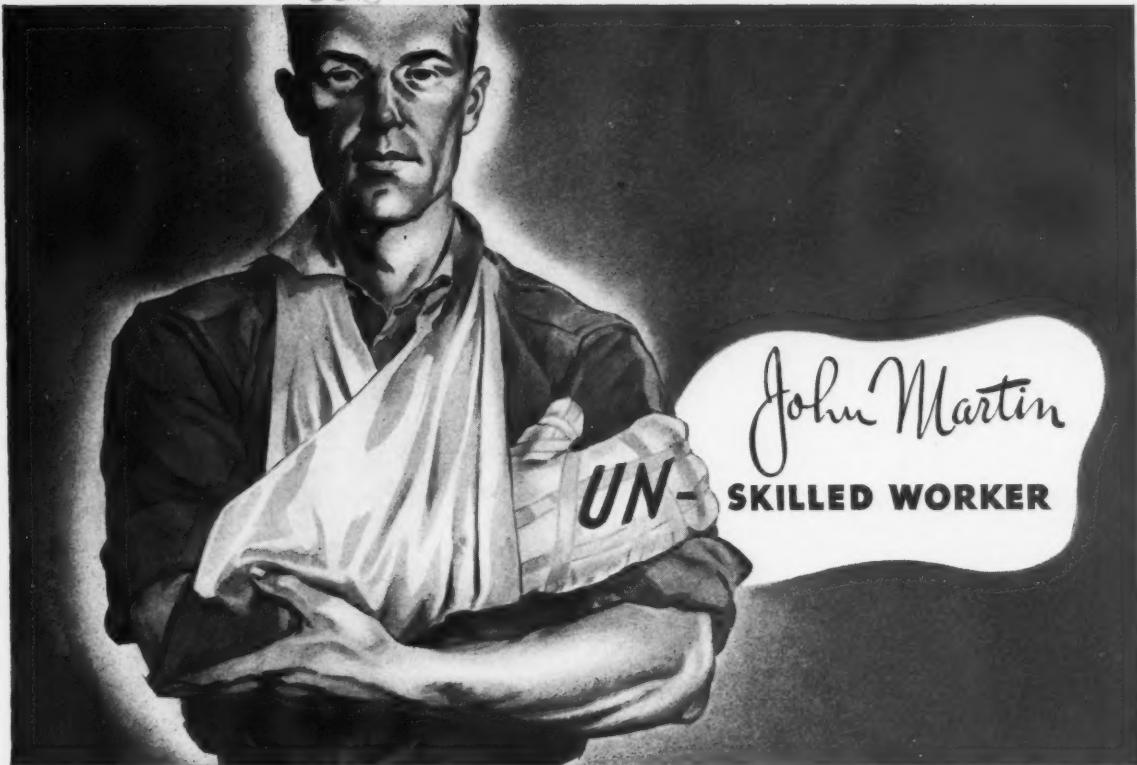
EXPORT EXECUTIVE. Eighteen years' experience in the export business. Eleven years have been spent with one manufacturer organizing and developing the export department into a profitable unit. Five years' experience as assistant export manager and late export manager of a large shoe company. In both employments he has served as sales promotion and advertising manager. Two years' service with the U. S. Bureau of Foreign and Domestic Commerce. Age 35. Address P. W. 343.

SALES REPRESENTATIVE. College graduate, middle aged man with many years experience travelling in smaller towns of New England with engineering and sales experience desires employment. Further particulars and interview address P. W. 344.





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a profit message to you from 50,000 executives

When an injury prevents a skilled employee from doing the work he has learned, his years of experience become worthless.

But complete disability can often be prevented. The skill of many such men has been saved by American Mutual's claim department, specialists in rehabilitation of industrial workers for the jobs they were trained to do.

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Third is the profit from dividends—20% or more each year since 1887. Recently the grand total of cash payments to policyholders passed \$50,000,000.

The A. C. Gilbert Co. of New Haven, Conn., manufacturers of electrical apparatus, saved \$11,724.26 in 14 years through American Mutual dividends on workmen's compensation insurance.

These three savings are a factor in operating profit—as 50,000 executives already know. Other profit-minded executives will benefit from reading "How Twelve Companies Saved More Than A Million Dollars." Send for your copy.

Admitted Assets: \$23,809,545.32 Liabilities: \$19,424,978.69 Surplus to policyholders: \$4,384,566.63 (As of December 31, 1935)

Workmen's Compensation, Automobile, Elevator, Burglary and other forms of Casualty Insurance are written by American Mutual; Fire Insurance by our associate, Allied American Mutual Fire Insurance Company.

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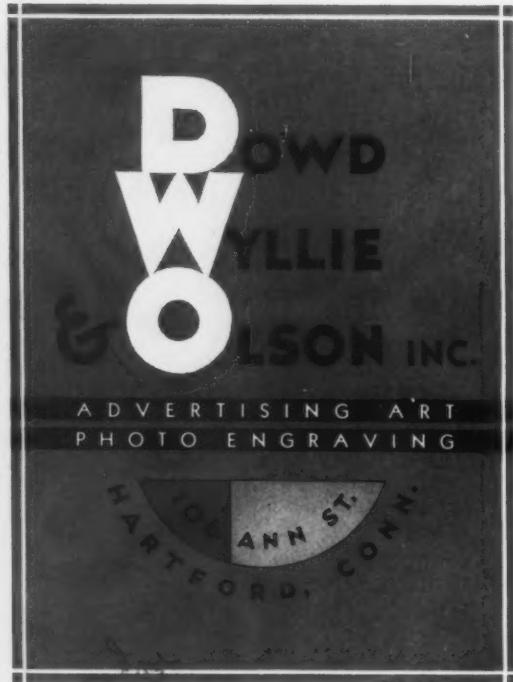
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